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Against Aggression

The Acheson plan for depriving aggressors of the shelter of the veto has met with unexpected success. Laid before the Assembly under the title of 'United Action for Peace', it has been accepted by a far larger majority than most people expected. For its critics in the Political Committee had been severe. Its eventual triumph there was due partly to the readiness of its sponsors to accept any amendment that did not strip it of essentials, but chiefly to the challenge which it offered to commonsense. Is the world to lie down under a situation in which its main machinery for stopping aggression - the Security Council - must either work Russia's will or else not work at all? A key passage of the plan proclaims that the mere reduction of one piece of machinery to to impotence 'does not relieve member states of their obligations to maintain international peace and security. It is up to them to devise some other method of doing their duty.

The method they have accepted consists of four practical proposals. By the first, the Assembly alters its rules of procedure so that it can be convened at twenty-four hours' notice, and accepts as conveners in an emergency either the statutory majority of members or 'a vote of any seven members of the Security Council.'. These are first to try handling a matter in the old way, but, if blocked by the veto, may vote to divest their agenda of the topic, and so lay it before the Assembly, which shall then recommend action to members. Is this last proviso an undue extension of Article 11 of the Charter, which prescribes that only the Security Council can take action? Here is a point on which lawyers can argue endlessly on the case for letter *versus* spirit. Finally, fifty-two states decided that they were ready to let the spirit prevail.

The plan's second clause instals a Peace Observation Commission to proceed to danger points at the bidding either of the Security Council, or of the Assembly, or of the Little Assembly. Its third and fourth propositions broach the more delicate subject of organising the armed forces which states members can suitably proffer. The proposal that they shall all 'maintain elements so organised that they can promptly be made available' is - as the Korea experience has proved - the best arrangement at present attainable. The fourth proposition sets up a Collective Measures Committee to create and keep clear the channels down which these arrangements shall flow.

None of these expedients is really new. Over the last two years, frustration in the Security Council has increased the practice of transferring obstinate problems to the Assembly. Corps of observers have several times been appointed *ad hoc* to visit centres of trouble. The new feature of the plan is its bid to cut the shackles in which Big Five disagreements have enmeshed a useful machine.

The Soviet bloc voted against all four of the propositions. It cast its votes with an accompaniment of proffered amendments and expressions of anxiety to work for the best. It even - despite its distaste for the Little Assembly - wishes for a seat on the Peace Observation Commission. But it cast its five votes against the plan as a whole, because any system that bypasses the veto is an offence against the Soviet conception of the Charter as an agency for the exercise of power. No one else cast an adverse vote either on the four propositions taken separately or on the scheme as a whole. Over the two that deal with the organisation of armed force abstentions rose at one point as high as seven. But even states which had expressed grave misgivings - notably Sweden and Israel - in the end voted affirmatively.

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Finally, India was the only important abstainer. The majority attained - 50 votes to 5 with 3 abstentions - offers a heartening margin over the statutory two-thirds, which is at present 40 votes.

But to jump to the assumption that the new scheme will work marvels whenever the Security Council reaches deadlock is to go much too far. The scheme has all the familiar limitations. It does not alter the fact that the responsibility of deciding to withstand a major aggression still lies, and will always lie, with the great powers. The scheme will work only if a majority of them concur. Nor can it work miracles even then. It is likely to serve less often as a preventative than as a cure. To meet many misgivings, its sponsors agreed to an amendment whereby a recommendation to use force can be made only *after* the breach of the peace or the aggression has started. It can invent no magic for generating the preventive force of public opinion behind the Iron Curtain - - for instance, the opinion of the millions of war-weary Russian signatories of the Stockholm Peace Appeal. Lastly it does not obviate - nothing can - the sheer physical difficulty of massing effective numbers of troops and heavy equipment at the right spot and at a moment's notice. In addition, the new plan presents some drawbacks that are peculiar to itself. Recent experiences at Lake Success suggest that the Assembly is by no means an ideal body for handling all the kinds of problem that are apt to threaten peace. It is too unwieldy for jobs of conciliation. It has been known to vote in moods of irresponsibility, swayed by motives that bear no relation to practical possibilities. In addition, it is a prey to block voting, and the largest block is capable, singlehanded, of depriving it of all possibility of a two-thirds majority. The new plan will succeed only if it is reserved for straightforward cases of aggression. It will fail if it is overstrained by attempts to apply it to most problems on which a majority of great powers are not prepared to act together or, indeed, on which no one may see the way to a workable course of any kind.

Yet against these drawbacks must be offset the risk of a great disaster. Uno is in mortal danger of impotence in face of all aggressors save those of whom Russia disapproves. The hopelessness of the slough into which the Security Council has sunk has been masked by its success over Korea. People forget that this was entirely due to the fact - apparently fortuitous - that the Russians were absent when the North Koreans attacked the South. Either new machinery must be devised, or else the most important section of the United Nations' fabric collapses. The new proposals certainly possess some intrinsic advantages. They immensely speed procedure: within twenty-four hours of a crisis they would make it possible to know whether or no a majority of great powers was set upon preventive action.

The most trenchant argument against them comes from the advocates of regional pacts as the best method of stopping aggression. Clearly these, within their own locality, work more quickly and surely than any other system. But they would provide a worldwide network only if the globe were girdled with a chain of them, each centred on a great power. But the world today is not so shaped. Only one regional group, that of the Atlantic Pact is capable of countering a major aggressor. The nations have no alternative to handling aggression on a unitary basis, or else doing so inadequately. The good news from the current Assembly is that over three quarters of the world now recognises this fact. The Communists have themselves to thank for this further stiffening of the ranks against their 'wars of liberation.'

Two Chancellors

In times of inflation a Labour Chancellor of the Exchequer may frame and execute a right financial policy, but only if he can stand more blame than praise from his own party. In time, as the country grows more heartily sick of persistent inflation and Labour's established sentiments evaporate, this may change; or a transformation of the British economic problem may make the ideas of the thirties again up to date. But for the present inflation will be resolutely avoided only when the Labour party is so badly frightened - by loss of foreign confidence and a run on the pound - that it has temporarily no will of its own. A strong man, a Sir Stafford Cripps in 1947, can then take things into his own hands. But the strongest Labour Chancellor is unlikely, as the last two years have shown, to maintain the impetus of an unpopular policy once its first fruits have been obtained and immediate disaster avoided.

Implicitly the Prime Minister has recognised these unpleasant facts by choosing as Sir Stafford's successor the man most likely to fight against them. Mr Attlee has also shown himself to be, personally, on the side of the angels and financial probity. It required courage to appoint the best Chancellor available by raising Sir Stafford's assistant above many senior members of the party hierarchy. For the present, Mr Gaitskell, with an able new assistant in Mr John Edwards, is likely to do as well at the Treasury as Sir Stafford has been doing for the past two years. He may do better.

But this is the comparison with a Chancellor in decline. It is no measure of adequacy to deal with the problems that now face the British economy. If Sir Stafford Cripps had retired at the end of 1948 he would have been one of the great Chancellors. His essential achievement was to appreciate earlier than other Ministers the force of the economic limitations on Labour policy. He went to the Chancellorship without any part-

The report was adopted.

icular disposition to use financial measures rather than physical controls as the instruments of a sterner economics. But in the office he listened to good advice, absorbed it with all the great lawyer's skill, and applied it with scant regard to the politician's normally timid estimate of what the public will stand. He was the man, in Professor Robertson's phrase, 'capable almost single-handed of putting heavy engines into reverse'.

The Budget of April 1948 made tremendous first steps towards harmonising internal policy with the needs of export trade. It cancelled the Daltonian divorce. The tragedy is that what the upright Sir Stafford achieved instead was merely an uneasy liaison, not a re-marriage. The first steps were never followed up. Early in 1949 internal policy was allowed again to get out of harmony with external need. Reluctantly the adjustment had to be made by devaluation. That combined with the American boom temporarily to modify the impact of the external situation. But, as Mr Gaitskell takes over, the internal policy that has now set so hard is becoming again painfully out of adjustment.

The things that made Sir Stafford fail to take the second steps are likely to inhibit Mr Gaitskell more completely. In 1948 inflation was checked in the only way then possible. The habits of war-time extravagance in Government spending could not be undone in a day. The higher taxes of Sir Stafford's first Budget were the necessary method of securing a large Budget surplus. But during 1948 it became plain that, if taxes were raised again, they would be paid much more by saving less than by cutting personal consumption; on balance, they would probably add at least as much to inflation as they subtracted from it. A large Budget surplus was as necessary in 1949 as in 1948; but if flexibility and incentives to efficiency were to be restored to the British economy, it would have to be achieved by cutting Government expenditure rather than by piling on taxation.

In his aversion from cuts the Chancellor was as unbending as in his resolute use of taxation. The insistence that Government expenditure could not be reduced was maintained without systematic enquiry and in words of which many had to be eaten six months later. Such obstinacy was possible only because it was buttressed by the greatest of all the fallacies of Labour's post-war economics: that full employment, even if the threat of unemployment arises in the export trades, can be permanently maintained simply by turning on the Keynesian taps of internal spending. Government expenditure was increased in 1949 by keeping taxes unchanged and allowing the Budget surplus to fall. The plea was that the inflationary danger was lessening and a slump lay ahead. There was never any evidence of this in the home market. The serious turn to a buyers' market was in exports. The smaller Budget surplus implied that the loss of exports should be accepted, and the demand for labour switched to the home market, rather than that workers should fall into temporary unemployment. For a country with Britain's difficulties in paying for necessary imports this policy is at best a short-term expedient, and if persisted in for long it must be disastrous. In 1949 inflation revived, exports were reduced, in spite of the demand provided by larger releases from the sterling balances, and devaluation became inescapable.

The things that killed the Cripps policies are the new Chancellor's weaknesses also. Mr Gaitskell is conciliatory in manner; he is a trained economist who can be relied on at least to listen to advice. But he is not less a doctrinaire; he holds no less strongly to the belief that present over-full employment must be preserved at all costs, that the inflexible British economy of high Government expenditure and savage taxation can somehow be cajoled and driven into maintaining a sufficient external income even in competitive conditions abroad.

To this must unfortunately be added a further liability. With so short a political experience behind him, as a younger man with his career still to make, it will be more difficult for Mr Gaitskell than for Sir Stafford to disregard the sentiments of his party. However hard he presses his views, they are bound to carry less weight with his fellow Ministers than did those of the Chancellor who, grudging as was the acknowledgment he received for it, everyone knew to have saved his party in 1947-8. Even if Mr Gaitskell is more right-minded than his predecessor he is bound to be a less effective Cabinet Minister. It would, one must trust, be going too far to fear that Treasury control will suffer another Daltonian eclipse. But it is almost certain to slip farther into the background.

This would have been dangerous enough before the Korean war. Now there is little doubt that, without prompt Government action, inflation in Britain will gather considerable force this winter. This is not the stage of preparing for an approaching danger. The inflation has begun: the question is how far it will go. No policy acceptable to any Government could now prevent widespread increases in British prices, costs and profits. Those are the consequences of past policies.

Mr Gaitskell's immediate task is to confine the inflation of costs to what is truly inevitable. All the signs are that it is now in fact being fed by a growing expansion of credit. If the Government is content to wait we may easily find ourselves early next year back in a financial situation very close to that of 1946. It would not be a galloping inflation any more than Mr Dalton's was; but trotting or cantering could be quite enough to turn the sterling area again from dollar surplus to heavy deficit. The inflation can be kept to walking pace in the short run, and before long stopped altogether, only by large economies in the government's civilian spending. Whether or not their preparation is his first concern will be the test of Mr Gaitskell's ability to make his mark as a British Chancellor in spite of all the party pulls against him...

Plain Men and the Pact

In Western Europe's partnership with the United States the stage has now been reached where the common man must get ready to understand yet another set of initials. Having got used to Uno, and very nearly inured to OEEC, he must now prepare to cope with NATO. That this stands for the North Atlantic Treaty Organisation, and that this is an immensely important body with a function and identity of its own is self-evident only to a few officials and staff officers in Nato capitals. To the common man in this country Nato has no personality at all; and on the Continent a hundred will cheer the struggling but powerless Council of Europe for every one who will say a word for the mighty Council of the Atlantic Pact.

This may be because so much of its work has been kept secret - quite unnecessarily secret in many cases; and because there is a persistent and highly intelligent propaganda campaign against the Americans both in this country and on the Continent. But that so little gratitude, interest, enthusiasm are felt for this body - offering not only security against war but the most fascinating possibilities of new relationship between the free democracies on both sides of the Atlantic - is due quite simply to this fact: that there is still nothing of importance - save communiques and committees - to which people can point and say: 'without Nato this could never have been achieved'.

During the present and coming week there is to be a series of decisive committee meetings which should yield, among other things: the plan for an 'integrated international force'; the plan for equipping and paying for it; the plan for sharing the contributions of manpower, materials, production and money over the next three years; the decision 'in principle' whether the Germans are to make any contribution; and lastly, the calculation of aid that is to be asked of the United States for its impoverished and - let it be said - so far timid and reluctant partners in rearmament.

Clearly those are all very important decisions; progress over the next three years can hardly be made without them. But the ordinary man asks whether they are being taken by methods and by persons capable of yielding the quick results which the military weakness of Europe demands. As the day-to-day news will show, they involve meetings of twelve Defence Ministers and twelve Chiefs of Staff in Washington; long sessions in London by twelve Deputies of the Foreign Ministers; detailed calculations of manpower, weapons and equipment by the three-power Standing Group in Washington; a further study by the Deputies of economic possibilities, short-term and long-term; and then, at the end, a hard-fought battle to decide how much American aid shall be given

Compare this procedure and these plans with what ordinary people expect of the Atlantic Pact. First, at any rate on the Continent, they want to see in or near Germany air and ground forces sufficient not only to deter the Russians from reckless action but to give a strength to western diplomacy that does not rest entirely on superiority in atomic weapons under the sole control of the President of the United States. Until this is done - or there are clear signs of an intention to do it - rearmament in Europe will be a half-hearted business. The second thing that ordinary people look for is that each member of Nato should take on those defence tasks for which it is most clearly fitted, that each nation should do one or two things well and not half a dozen things fairly well or badly. If there is to be integration, its result must be greater power and efficiency for the whole than the parts can achieve separately. The third thing that is looked for is a method of rearming, training and equipping forces that will be cheaper than the methods of previous rearmament programmes.

It is true that this combination of demands is not altogether reasonable: integration is bound to be a lengthy and experimental process; the sharing of burdens presents political difficulties; the economies of standardised weapons and rationalised production come at first only slowly. But in his first demand the ordinary man is surely right. If Nato were arranging now for greater strength in Germany; if the Supreme Commander and his chief of staff had been chosen; if the headquarters had troops to command, and if the soldiers had practised cooperation as eagerly as the sailors and the airmen - then it could be confidently felt that Nato was not just another piece of planning for planning's sake but an efficient defence executive in the making.

In short, the layman refuses to be daunted, as the staff officer and the official are daunted, by the tug-of-war between long-term and short-term policies that has gone on since 1945. He asks for action and visible results now from a body whose first purpose is to keep the peace and protect western Europe from invasion.

If this can be done only by streamlining the immense committee structure, by appointing to Nato national representatives who can report direct to Prime Ministers, and by concentrating executive powers into a few hands, then - for the short-term task - let those things be done. The danger at the moment is that the working of Nato should become an end in itself, and that ordinary people should come to the conclusion that rearmament is not, after all, urgent.

NOTES OF THE WEEK

Molotov Cocktail

These are days of bewildering activity in the public diplomacy of the power blocs. Mr Vyshinsky at Lake Success has been showing inklings of reasonableness on one or two matters, and it was - by Uno standards - a quite statesmanlike debate that led last week-end to agreement by the Political Committee that the Big Five should try and settle some of their differences by consultation. So much initiative has fallen into western hands through the Korean fiasco, the further progress towards west Germany's independence, and the passing of the Acheson security plan, that Moscow may well feel it is time to try the effect of the smile on the face of the tiger.

Yet the tiger goes on snarling and padding around in the dark. The declaration that came from Prague last Saturday was, it is true, a clever rather than a fierce document; and there is nothing in it that has not been foreshadowed in Moscow's German policy during the last two years. But it is hard to believe that either Mr Molotov, or the Foreign Ministers of the Cominform governments and Eastern Germany, think its terms acceptable to the Americans, British and French. Dr Adenauer, indeed, smartly got in first and asked just the right questions. If occupation forces are to be withdrawn after a peace treaty has been settled with a united Germany, how far away will the Red Army move? And how are free elections to be possible with eastern Germany's present superiority in armed men and after the 99 per cent result recorded by the Communists on October 15?

If Mr Molotov wanted to do more than reassure his satellite colleagues about his German policy or complicate the debate about the west German contribution to the new Atlantic Pact forces, there are several more convincing moves he could have made. He could have replied to the western proposals for free elections throughout Germany, and to their inquiries about the large para-military forces in eastern Germany. Instead Mr Molotov has merely reiterated the familiar chief points of the Soviet propaganda line: the appeal to the German people's desire for unity and peace, the insistence on a return to the legal basis of Potsdam, and the hint that Soviet troops might retire behind the Elbe. It is a formula for deadlock.

Paris Versus Bonn

Whatever may be the effect on the Kremlin of Dr. Adenauer's reply to Molotov, it will not soothe the Quai d'Orsay. In the past few weeks French officials have gained the impression that Germany's leaders are once again preparing to settle issues by means of ultimatum and blackmail.

Until mid-summer, there was every sign that Western Germany would take part in the Schuman Plan as a step towards the integration of Western Europe, political and economic. For two reasons the German delegation had, at this stage, been instructed by its government to cooperate fully. The politicians in Bonn saw the plan as a way in which Germany could share as an equal partner in Western councils. At the same time the Ruhr industrialists hoped it would help them to meet what seemed to be a rapidly approaching buyer's market for both coal and steel.

The Korean war created entirely new conditions. On the one hand all signs of a buyer's market disappeared; on the other hand Washington, followed by London, became obsessed with the urgent need for an army in western Europe, ready to check a Soviet attack. Thus, when the Big Three Foreign Ministers met in New York last month it was chiefly to discuss an unrehearsed demand from Mr. Acheson that an immediate decision be taken in principle to arm German divisions.

Almost overnight the French found that they were dealing with a new Germany. In Paris the representatives of the German industrialists began to discover flaws in the Schuman Plan. Meanwhile in Bonn Dr. Adenauer chose as his new Minister of the interior Dr. Robert Lehr, a former member of the German steel cartel who had only recently made a forthright attack on the Schuman Plan. Both Dr. Lehr and fellow industrialists have made it clear that the German steel cartel is determined to throw off all allied controls, to regain all its former powers and to negotiate with its neighbours on its own terms.

At the moment the deadlock between Paris and Washington persists. The French stand by their earlier - and perfectly reasonable - view that the formation of an integrated international force must precede the arming of any German troops. Developing this view further, the French Government has now put forward two new proposals; that the continental force - not the British and Americans - be placed under a European Defence Minister and that the Schuman Plan be expanded to provide for complete coordination of the western European arms industry.

Emergency Powers

It is hard to understand why the Commons on Monday allowed the Government to get away so easily with the renewal for another year of the Supplies and Services Act and other emergency laws. Everyone knows that the Government would have wanted to keep many of the wartime defence regulations alive even if there were no rearmament programme. To rest

their plea almost entirely on the needs of rearmament, as Ministers did, would have got scant respect if the Conservatives were not still by temperament the party of authority. The Liberal protest was inevitably ineffective.

No one supposes that all the reserve powers given to the executive since 1938 can now be swept away. What is entirely objectionable is that a great mass of these powers should be renewed, after one short debate, on the vague plea that the Government may at some time need some of them in a hurry. Mr Morrison admitted that 'at the appropriate time' there should be permanent legislation to define the sphere in which the Government may make regulations. He did not explain what may be supposed to make 1951 or 1952 more appropriate than 1949 or 1950. The last thing that is wanted is, in any case, a general consolidating act. That would inevitably confirm the executive in wide powers without adequate debate. If a Socialist Government feels that it must always have in the background the right, say, to direct labour without fresh legislation, then that specific power ought to be delegated by a particular act of Parliament. If Ministers had to frame a series of such acts they would quickly find that they could get along with far fewer powers than they will think essential as long as Parliament makes their retention easy.

Labour Answers Blackpool

That Mr Bevan should respond to the Conservative demand for 300,000 houses a year with a virtuoso display of righteous indignation is so normal as hardly to be worth comment. Rather more interesting is the response of that apostle of conciliation and sweet reasonableness, Mr Herbert Morrison. He makes no overt accusations of hypocrisy and finds no speculative builders under his bed; but the pains which he took, in his party political broadcast of October 21st, to brush aside the Blackpool resolution as an impracticable dream, to be contrasted with solid Labour achievement, indicate an uneasy suspicion that the raising of the Conservative bid may be effective with the voters. The spectacle of Labour denouncing as Utopian a Conservative programme of social betterment has its humorous side, the more so as - unless the Conservatives are willing to offer the electorate a realistic programme of capital cuts to match their projected housing expansion - the denunciation is perfectly justified.

The disturbing element in Mr Morrison's speech is the resurgence of Utopianism in world affairs, the attempt to appropriate the leading idea of President Truman's Fourth Point as a Labour specific and thus to recapture a tactically useful preeminence in conspicuous idealism in a field where voters have little chance to check performance against promise. The Labour attitude to European unity can serve as a warning of what may happen to the idea of international co-operation for the advancement of backward areas if once that idea is envisaged as a trump to be laid on the Tories' domestic ace.

The Printing Dispute

The Court of Inquiry into the dispute in the London printing trade has now published its conclusions. They have been worth waiting for, since they reveal a clear understanding of the problems of the industry. On the substance of the dispute the Court finds, on balance, in favour of the employers. It is true that the report recommends an increase in the minimum wage from £7.3.6d. per week to £7.15s.; but this recommendation is subject to two conditions: first, that it shall be

> linked with conditions which will ensure a long period of stability in the industry, an increase in its manpower, and the adoption of working arrangements which will facilitate greater output;

and secondly that it shall in fact be no more than an increase in the minimum, without any increase to those who were, before the dispute, receiving more than the minimum. On the question of manpower in the industry - the other main bone of contention - the Court finds that the union has been unduly restrictive and recommends it to admit adult entrants. On the methods by which the dispute has been conducted, as distinct from its substance, the Court uses very strong language towards the union: it has adopted an 'intransigent attitude' and has been 'determined to exploit its key position without regard to the interests of other sections of the industry.'

We appreciate that many of our readers, particularly those overseas, must be very perplexed by this dispute. To set out all its intricacies would require a great deal of space. Put very briefly, however, the substance of the matter is that in the absence of negotiating machinery for the printing industry as a whole, each section in turn feels itself aggrieved. As the report of the Court of Inquiry puts it,

> The present practice of 'leap-frogging' demands from individual unions has kept the industry in a constant state of unrest for over three years, and it is vital that it should be brought to an end.

The way to do this is to set up a Joint Industrial Council empowered to make wages agreements for the whole industry. The other main issue at stake has been that of fair play and honest dealing in the conduct of a dispute. As one of the victims of the dispute, we feel that it would be far better that it should continue than that it should be settled in any way that compromises the main issues at stake.

Korean Reconstruction

As the United Nations forces complete their occupation of North Korea, it must have become clear even to the Communist world that this Soviet puppet has been left to its fate, at least for the time being. The North Korean authorities fled from their capital,

Pyongyang, at the end of last week. In spite of sabre-rattling in Peking, the Chinese have - sensibly enough from their own point of view - made no move. Tass, the Soviet news agency, has gone so far as to alter its version of the text of a last-ditch appeal to his people by Kim Il Sung, the North Korean Premier, from the statement that 'we are receiving the absolute support of the Soviet Union and the Chinese people' to 'the sympathy of all progressive mankind'.

The people of North Korea certainly do have the sympathy of the whole world. For now that the fighting is at its last stage, the political and economic problems of pacification are becoming acute. Already, for instance, Mr Syngman Rhee, the South Korean Premier, is at loggerheads with the new United Nations Commission, which is to establish a single Korean state. He disputes its wise decisions that the authority of his government must be confined to the South, and its own view that fresh elections also should be held there at the same time as in the North. The task of fusing this government into a new administration for united Korea is indeed prickly, since Mr Syngman Rhee has done little to earn the support of progressive opinion in the non-Communist world.

The Americans propose setting up a United Nations Korean Reconstruction Agency, led by an Agent General and responsible to the UN General Assembly. As the major share of relief work will undoubtedly fall on them, their plan for this agency should be accepted. There is no reason, however, why the Russians should not contribute; to their astonishment they were voted on to the seven-member UN committee drafting measures for relief. It would also be of real value to future relationships in the Orient if the Chinese could be asked to associate themselves in some way with the Reconstruction Agency.

France and Indo-China

The unhappy French government finds itself in an almost impossible position over the war in Indo-China, from which the growing casualty lists are increasing the sense of despair, frustration and irritation throughout France. With a general election in prospect next spring no party - except the Communists - cares to commit itself to any clear statement or to admit that the war may have been in vain. That is one of the main reasons why General Juin has been sent to make a report. His report, which should be available next week, will be used as a gospel and may prove to be one way out of an internal political impasse. From M. Pleven, the Prime Minister, downwards there is increasing tendency to say the best course may be to withdraw, politically and militarily, if only terms can be established which would give Bao Dai a chance to carry on alone, safe and free.

On the other hand, a kind of paralysis is setting in, particularly among certain French colonial officials. Some want to hang on at any cost, in the belief that a world war is coming anyway and if it starts with them in possession they might be restored afterwards. Both tendencies make an appeal to the United Nations difficult, until the military situation in Indo-China itself gets quite out of hand. If anything is to be done, however, such an appeal should be made now as soon as possible, before it is too late.

India's Voice in Asia

When the new United Nations Commission for Korea was formed three weeks ago, many hoped that India would accept a seat on it. Indeed, its participation was thought so important that, on its refusal, the size of the projected Commission was reduced from eight to seven members; as now composed the body will lack some of the authority it would have had if India had been in it. These disappointing hesitations in Delhi have two main causes. There is, first, a determination to avoid full commitments either to the western or to the Communist camp; and there is also a feeling that Delhi has special knowledge of China's intentions, conveyed in the despatches of the ambassador in Peking, Mr K.M. Panikkar, whose relations with the Chinese are at present closer than those of the envoy of any other major power, except the Soviet Union.

Regarded as the voice of free Asia, India's views have lately come to be regarded with something approaching awe both in Washington and London. But in view of India's rejection of a course which other free Asian states - Pakistan, Siam and the Philippines - have accepted at Uno, it might be wiser to regard more critically India's ability to reflect Asian opinion. Indeed, is there even a coherent Asian opinion to be reflected? To judge by the many voices raised at the recent conference of the Institute for Pacific Relations at Lucknow, there is not. Indeed, as Mr Nehru, the Indian Prime Minister, himself said last week: 'To talk of Asia as a political unit is misleading.' It is true that there is growing up in Asia a universal desire for political freedom and economic improvement, with all the repercussions on traditional relationships that this involves. But it is no more accurate to speak of a general opinion in Asia on intricate international questions than it would be in Europe.

The Chinese, moreover, may be trusted to make shrewd use of their access to Mr Panikkar's ear. They know that the gist of his reports, when it reaches London, may at least cause the western powers to waver in a firm attitude to the problems of Korea.

Debts for Dollars

The White Paper on the balance of payments in the first half of the year - which is examined in detail on a later page - helps to make plain the economic tasks to which British policy must now be directed. Since devaluation the United Kingdom has been incurring extra short-term debts to the rest of the sterling area almost as fast as the gold

and dollar reserve of the whole area has been rising. During the first six months of 1950 the claims on London held by sterling countries rose by £200 million while £262 million was added to the reserve. In large part this exchange of debts for dollars was, of course, inevitable. Britain could not expand its exports to the sterling countries as quickly as they could, after devaluation, cut their imports from North America. In fact the expansion of British exports has been far too little to offset the worsening of the terms of trade as the prices paid for British imports have risen. Britain's surplus with the rest of the sterling area was reduced from £135 million in the first half of 1949 to £80 million this year.

Quickly to increase exports to the sterling area is now as important as earning more dollars in direct trade with North America. Britain's own dollar deficit is being - and must be - financed, and the gold reserve increased, from the dollar surplus earned by the sterling area's primary producers. In the twelve months since devaluation Britain has been lucky to do this so largely at the expense of claims on future production. The process cannot go on indefinitely. The claims will be cashed sooner or later - and, with inflation mounting in Australia, probably sooner. The sterling area's dollar surplus has been achieved chiefly by cutting imports from North America. Britain's monetary partners will be content to go on passing their dollars to London only if they can buy what they want here as easily as in the United States. To make the British payments position secure, therefore, the country has in future to increase the dollar reserve not at the expense of fresh sterling debts but by current payment in the form of a bigger export surplus to the sterling area. It will be necessary to squeeze many more exports - not merely, or even mainly, a thin stream of dollar exports - from an economy on which the domestic demands are being allowed to grow still heavier.

Fair Prices for the Colonies

The Colonial Development Corporation shines by contrast with the Overseas Food Corporation, and its better reputation was apparent in last week's debate, which completely lacked the political sparring of debates on the East African groundnut scheme. Members on both sides of the House showed themselves in sympathy with the corporation's aims and anxious to be constructive in their criticisms of its methods.

It may be that the House was a bit too friendly. One or two members suggested that the time had come for the corporation to take stock, to refuse to undertake any new projects and to examine its organisation to see whether its administrative overheads could be reduced. Another question was the extent to which the corporation was going to retain the active management of its many and varied projects. Ought not its main function, or one of its main functions, to be the launching of pilot agricultural schemes rather than the actual running of poultry farms? The place of the public corporation in colonial development has still not been satisfactorily determined, and care must be taken lest in a few years' time the Colonial Development Corporation finds itself out of its depth.

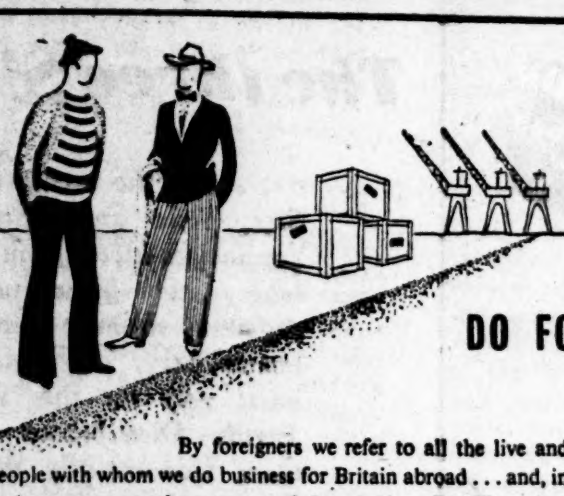
There is, above all, one issue that has not yet been settled. In its last report hints are given that the corporation expects to have some say in the fixing of prices for the products of its enterprise. It appears worried lest, having undertaken some £30 million of capital development at a time of high prices, it should find that the price of colonial produce has fallen by the time its schemes bear fruit. It is right to feel some uneasiness on this score, which must make it doubly cautious in approving a project. But it is wrong if it thinks that the Ministry of Food, or whatever Department is involved, should automatically guarantee a remunerative price irrespective of what happens to world prices. Yet this was the attitude of almost every member who spoke in the debate, and the Government spokesmen did not reject it. Only one member said that the fair price must be a reasonable price and that 'this poor old country cannot be a milch cow for all these schemes'. Great Britain has a duty to help to raise colonial standards of living. But the help should be through investment and taxes, when it can be measured, not through the consumer.

Thunder in Egypt

King Farouk, fresh from his gay holiday in Europe, has returned home to alarms and excursions. The opposition leaders have served on him a memorandum complaining of the Palace entourage, stating that the public breast is 'boiling with anger', and warning him of imminent revolution. The Wafd countered by staging street demonstrations of welcome. Anyone who counted the heads in these could have estimated their cost to a piastre.

The King is vastly unpopular. He is disliked not for his trivial taste in pastimes, but for his taste in friends - often foreigners - and for his waywardness. Though highly intelligent, he is a volatile person with a hand that seems the wrong shape for keeping a steady grip on a tiller. Nevertheless, the Egyptian crown itself is a strong institution, hence the assiduity with which successive governments - whatever they may say while they are in opposition - cultivate 'the palace' when in power. This is what Wafd has done since the elections. Its position is that it enjoys popular support because its sick leader, Nahas Pasha, is a public hero, and it has palace support because other prominent Wafdists are hand in glove with certain palace officials. Therefore the opposition must attack both. Its manifestation is largely a party manoeuvre, and if revolution were to happen opposition leaders would be among the victims.

At present, however, it is difficult to see where the revolutionary leader is to come from. Perhaps he is lying low or being



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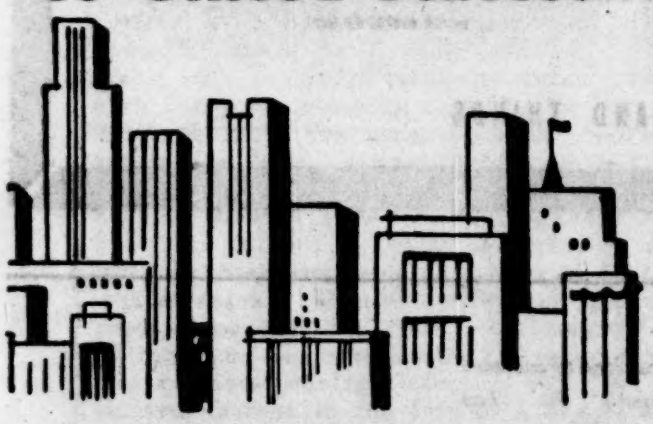

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trained in Moscow. If so, the moment for launching him is more likely to be one when there is confusion and tension in the world than one like the present, when a Soviet puppet has just been worsted.

Can Germans Plan?

The Managerial Board of the European Payments Union have now made the first quarterly compensations under the scheme. With perhaps an excess of reticence, the Board declined to publish the positions of its members, but it is clear that a major feature was the rake's progress of Western Germany. In three months the Germans have acquired a deficit of something over $150 million, at least half their total credit for two years of $320 million. Some of the reasons for the deficit are temporary - such as the anticipatory buying of raw materials inspired by the Korean war - but others are more permanent, and it is clear that the Germans cannot afford to continue borrowing in the conditions which apply to their present position under the scheme.

Only three immediate possibilities are open to the West German financial authorities. The first is dollar aid, on which the Germans themselves have clearly been gambling, but with little encouragement; the second is tighter import and other physical controls, and the third, tighter money. There are already signs of a stricter import licensing policy, but it is doubtful whether the German licensing system is adequate to the task, and even more doubtful whether the Germans would be prepared to supplement it with the necessary internal controls, such as rationing; but it looks as though it will be the first expedient to be tried. It would mean a reversal of Germany's movement towards liberalisation, and the creation of new, or rather the return of old, problems for other participating countries, especially the agricultural producers. Holland and Denmark have relied on Germany as a market and the Dutch in particular have relied on a trade surplus with Germany, made possible under liberalisation, to help offset their deficits elsewhere. Tighter money - reduction of demand by financial control - may well prove to be the only effective expedient, but its consequences for Western Germany, with an already tight financial policy and a continual threat of unemployment, would be serious in the extreme.

Vengeance or Reform?

The purpose of the Criminal Justice Act of 1948 is, in brief, to reform the offender if there is the slightest sign of this being successful and to keep out of society for a long period the hardened persistent offender who appears irreclaimable. The Act recognises what penal reformers have long been urging: that a prison sentence, to be effective, must be accompanied by hard work, not hard labour, by the teaching of self-discipline rather than the imposition of petty discipline. Corrective training, in fact, takes time, and for the young lag the short sentence in, if not brutal, at least brutalising conditions does more harm than good both to him and to society.

Many judges, however, would have none of this, and Lord Oaksey appears to be among them. Addressing the Magistrates' Association last week-end, he advocated in effect savage punishment for savage crimes as being the greatest deterrent, although both the evidence and expert opinion, including that of the Metropolitan Police Commissioner, uphold the view that the prospect of a long deprivation of liberty is much more effective. There is no evidence at all for Lord Oaksey's contention that a prison sentence is virtually no deterrent if prison diets are improved and the brutalising conditions removed. Is he, moreover, really trying to suggest that honest normal boys and girls commit crimes in order to escape from the back street and live in the luxury of an approved school? It is fortunate that penal reform does not have to wait for the approval of His Majesty's judges, for if it did, there would be far more crime and criminals at large today.

Visitors to the Exhibition

The persons who visit the Exhibition will, with few exceptions, be the select of all classes in the civilised world. The most intelligent artisans and mechanics - the most skilful manufacturers and machinists - the most advanced of artists - the most learned and intelligent of the aristocracies and princes, from all quarters, will be our visitors in 1851, and the naturally chosen representatives of all the world. They will come for the enlightened purpose of gaining and imparting instruction and improvement; they will be, as the rule, orderly, well-conducted men, given to run about ...and not given to low debauchery...How the increase of people is to be supplied with provisions and water, is for us a more important matter than how they will be accommodated with lodgings. But we believe that both may be safely left to private enterprise and private interest.. If...such an influx of people should be supposed to make it necessary for the Government to interfere with the supply of either food or water, we should regard the moral results of the Exhibition as more likely to be disastrous than beneficial.

The Economist

October 26, 1850.

Letters to the Editor

Consumers' Representation

Sir, - As chairman of one of the committees which you criticise so severely in your emergency edition of October 14th, I must join issue with you in your very sweeping statement that these councils and committees set up in the nationalised industries to protect the consumers' interests have made it their business to defend the Corporations before the public rather than the public before the Corporations. You go on to say that as members of these bodies are appointed by the Minister responsible it is improbable that he will select persons likely to be thorns in the flesh of the Board which he appointed.

On behalf of my colleagues I resent the implication that we are yesmen or there to whitewash the imperfections of the British Transport Commission. I am sure if you had taken the trouble to check the membership of the committee such shortcomings could not be substantiated. I am also certain that this is far from the mind of the Minister responsible.

In examining the work of Consultative Committees it is important to keep one or two factors in mind. We are not there to act as a postbox between dissatisfied users and the various Executives. We are anxious that those who have any complaint should first make contact with the Executives concerned or their representatives. It is only if they fail to reach agreement or obtain a satisfactory answer that we feel we should be called in; I can assure you that those cases which have been referred to us have received the closest examination, and, if we considered necessary, the strongest representation has been made either to the Commission or, failing satisfaction there, to the Minister direct, so far with satisfactory results.

Secondly, our functions should be constructive and not destructive, in an endeavour to assist the Commission to build up an efficient, integrated transport system. My committee has already had differences of opinion with the Commission. If as a result we can get any shortcomings rectified without unnecessary fuss or publicity, then I feel that we are satisfactorily carrying out the work which it is intended we should perform.

The Consultative Committee system is new in industrial life. The general public is still not aware of its existence. If the machinery does not function it is largely the fault of users of transport in not taking advantage of the facilities afforded to them. Surely it is only when the machinery has had a fair trial that it is possible to judge whether it - and those of us who are not only giving our time but also paying for the privilege out of our own pockets - can be likened to the appointed representatives mentioned in your last sentence. The whole reason why we sit on these Committees is that we believe they can serve as a check on any arbitrary behaviour of a statutory monopoly. - Yours faithfully,

EGBERT CADBURY

Chairman,
Central Transport
Consultative Committee
London

Pension Reform

Sir, - During a recent holiday in England I had the opportunity of meeting some retired people whose pensions had not been adjusted to the depreciation of currency and to the consequent rise in the cost of living. Having resided in a country where currency depreciation has caused greater havoc than in England, I venture to submit for consideration a remedy which has been put into practice in France with a view to improving the sorry condition of pensioners. It is based on the simple principle that, in each profession, the active members must support the retired members. An equitable pension scheme ought to fulfil two conditions, first, to ensure the same pension to two men who have carried out the same duties for the same length of time, irrespective of the year when they retired and, secondly, that pensions are continually adjusted to the cost of living as reflected in the present scale of wages.

Under this system funds need not be accumulated. The question of depreciation does not therefore arise. The premiums now collected from the active members are distributed now to the retired members of the profession. It is more or less the system of state pensions, linked with an automatic increase of pensions in proportion to the increase of wages of the active members.

One must not imagine, however, that the system of 'distribution' is a panacea. It needs careful handling in order to maintain the right proportion between the active and the retired members of each profession. But this difficulty is not insuperable and can be overcome by wise administration. - Yours faithfully,

V.S. GARIBIAN

Paris

Books and Publications

'While Memory Serves' by Lt. General Sir Francis Tuker. Cassell. 667 pages. 25s.

General Tuker's new book is a contribution to history by an experienced, observant, and sensitive soldier. It is not the story of the last two years of British rule in India, but a record of military aid to the civil power in North-East India, amid the communal horrors and political uncertainties of 1946-47. The comparative peace of three quarters of the sub-continent, historically relevant, is barely mentioned. The chronological arrangement and an occasional lack of selectivity impair the sequence and perspective of the narrative. The theme which pulls it together is a testament of the true, impartial temper of the undivided Indian Army, and of the British soldier in India, proved in a furnace worse than any battle.

The author's political and social judgments, notably on the future of Hindu Orthodoxy and Communism in India, have yet to stand the test of time; and, in other respects, certain passages are premature. Wounds have not yet healed, and, even in the interest of truth, salt is not a good ointment. This book, *pace* the publishers, will not encourage Hindu and Muslim to mend their quarrel.

• • •

'The Secret Army' by General T. Bor-Komorowski. Gollancz. 407 pages. 21s.

No matter how high the price of freedom, the Poles have always been prepared to pay it. In the terrible years of German occupation it rose to an extortioner's ransom. The sacrifice in youth and blood made for that pitiless ransom is General Bor-Komorowski's story - the story of how the Poles built up the clandestine 'Home Army', the largest underground force ever created by a suppressed people for their liberation. At the time of the Warsaw rising in August, 1944 its numbers had reached 380,000 of which women formed one-seventh of the strength in the capital.

That such a huge force was raised explains the extraordinary achievements of the Polish resistance army. The author points out that, although five consecutive commanders for the Silesian sector were arrested in two years, there was never the slightest difficulty in finding a successor. And if the ways in which that secret army was operated, or made to operate, still remain somewhat obscure, it is because the narrator has for the most part, and rightly, allowed human incident to tell his story.

With its nerve-breaking turns of fortune and misfortune, its incredible feats of ingenuity, daring and selfless steadfastness in the face of torture and cruel personal ordeal this story makes bleak and terrible reading today. On the political issues General Bor-Komorowski comments with a soldier's restraint; he is writing, after all, primarily for the British public, but he admits at one point that he had 'no illusions where Soviet' Russia was concerned'. He is convinced of Soviet responsibility for the Katyn massacres.

As to the events leading up to the ill-fated Warsaw rising and their political complexities, he writes about them as a man in a dilemma - as well he might be. At last he had his vast army - supplied and straining at the leash; it was the weapon of deliverance against Germany - but what of the Russians? The Red Army guns could already be heard in Warsaw, yet not a single official Soviet liaison officer had appeared and there was a split in the London Polish Government over policy. Sosnkowski wanted to base the Home Army's fighting action on the Soviet Union's resumption of diplomatic relations with his London Government; Mikolajczyk 'seemed to believe in the possibilities of a compromise'. But it was obviously left very much to the General on the spot to decide. Once Mr. Churchill had persuaded Mr Mikolajczyk to go to Moscow, there was a chance that the rising of the Home Army could weight the scales of diplomacy. As the Poles rose, squandering their home-made ammunition with frenzied valour, the Red Army artillery over the Vistula became as silent as the grave. All the Kremlin could see was that the Polish white eagle flying over the telephone building bore a crown. In a few weeks Warsaw was a dynamited ruin and 100,000 of its defenders lay under the debris.

• • •

'Social Case Works in Great Britain' Edited by Cherry Morris. Faber, 223 pages. 12s 6d.

Although much has been written in America this book is the first of its kind to be published in England. The first two chapters are devoted to analysing the principles of social work which has as its object not groups or classes of people but the individual or the family in need. Then follow six chapters showing the professional social worker doing his or her job in a specific setting. The account of how this work began, in the efforts of a few enlightened people to combat ignorance, indifference and prejudice, is admirable; the case-histories quoted are interesting; and what the worker sets out to achieve, and, largely, how she achieves it, is clear.

In a brief concluding chapter there is an outline of how modern psychological theories have affected not only the attitudes of many workers by making them aware of the need to understand both themselves and their 'clients', but also the selection and training of students.

AMERICAN SURVEY

Premature Inflation

Washington, D.C.

The inflationary effect of the rearmament programme in the United States can now be seen; the cause, the programme itself, as is so often the case, will follow later. Up to the present there has been no additional expenditure on defence and on October 17th the weekly Treasury statement showed an accumulated deficit for the fiscal year up to date of only $124 million compared with $2,344 million at the same time last year. But inflation has not waited for any factual justification and its immediate impact on the rearmament programme itself was dramatically illustrated on October 4th by Mr John McCone, the Under-Secretary of the Air Force, who told a sub-committee of the House Armed Services Committee that the rise in prices between April and September had cost the equivalent of 750 jet fighters. A supplementary appropriation of between $315 and $360 million or more would be needed to pay for the additional cost of materials for the 4,428 aircraft to be constructed by 1952; and there would, no doubt, be wage increases to consider later as well.

The steps taken to meet the inflation have so far been cautious - even excessively cautious. When the Korean war broke out the Administration relied - and pretended that it could go on relying - on exhortations and the operation of the public conscience. It was not until September 18th that Regulation W, which set a statutory limitation on hire purchase credit, was put into force. But, as was predicted at once, it proved to be by no means strong enough to have much effect at a time of increasing employment and rising wages. If it had any effect at all it was probably to act as a warning to those who, seeing a long period of prosperity and shortages ahead, wanted new motor-cars and refrigerators, that they had better arrange their credit terms quickly before sterner regulations made buying more difficult.

On October 16th Regulation W was amended and motor-cars must now be paid for in 15 months instead of 21 and household appliances and furniture in 15 instead of 18 months. Down-payments of 25 per cent instead of 15 per cent for appliances and 15 per cent instead of 10 per cent for furniture are also required. The new Regulation W will probably have a significant effect, but even in its present form it may do no more than reduce the level of demand to, or nearly to, the level of supply. It will certainly not cut it to the point where critical materials flow naturally away from consumer goods into armaments.

Much more effective will be Regulation X, issued on October 10th, under which mortgages on new houses - though so far only on one or two family units - are controlled. The housing boom had, under the competitive generosity of credit terms, reached the point where 1,200,000 houses are at present being built. Regulation X is designed, and is expected, to reduce this number by a third during the next year. As a by-product, it will probably also have a greater effect on the sale of household appliances than Regulation W because 400,000 of the refrigerators, washing-machines and other trimmings which the speculative builder must now offer will not be needed.

Regulation X is, too, only a beginning. Restrictions on credit for commercial buildings are being drafted and on October 18th Mr William Harrison, the Administrator of the new National Production Authority, had a rather stormy meeting with representatives of the building industry to whom he was trying to explain the necessity for stopping, more directly than by credit regulations, the construction of dance halls, racecourses and amusement parks. Mr Harrison is also getting under way in other directions. Civilian use of copper and aluminium will be controlled, as rubber already has been, and before long the same types of priority controls are expected to be put on steel and, later, on other materials.

But up to the present the emphasis has been on the redirection of supplies required by the rearmament programme rather than on the direct control of inflation. The supplementary tax bill, the mortgage restrictions and the credit controls added together do not go very far towards closing the prospective inflationary gap. The kind of measures which are needed to do that are those which must, of political necessity, wait until after the election. When Congress comes back at the end of November it will be faced with a task which, superficially, will be much harder than it would have been had it been possible to undertake it earlier. But it is probably not, in spite of appearances, too late for resolute action. It has been estimated that actual cash expenditures during the fiscal year ending June 30, 1951, will be only just under $5 billion more than in the previous year. Cause is, therefore, following effect at a respectable distance.

By the second quarter of 1951, however, a larger labour force, longer working hours and wage increases will have produced a demand for goods and services which cannot be

'AMERICAN SURVEY' is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

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controlled except by a much more drastic reduction in the availability of credit and by new taxes designed to produce a budgetary surplus. If these two things can be done in the last weeks of the present Congress or early in the new one, the inflation which has already taken place - and some was inevitable over the next twelve months - may be enough to soak up the balance of the surplus demand. In which case, the period of inflation without armaments will be followed by one of armaments without inflation.

American Notes

Peace and Progress

President Truman, in his address on the fifth anniversary of the United Nations, repeated in general international terms what he had said in specific American terms at San Francisco a week earlier, and added a special plea to the United Nations to continue to work for effective disarmament. Korea has, in his opinion, shown that the United Nations Charter works and has given a new impetus to peace and progress, the only constructive answers to the Communist challenge. The Korean campaign is already 'the symbol of the resistance of a united humanity against aggression' and Mr Truman is determined that Korean reconstruction shall become a symbol of international co-operation for improving the conditions under which people live.

Congress is to be asked to finance relief and reconstruction in Korea and this problem was one of the chief subjects discussed at the President's famous meeting with General MacArthur on Wake Island. This meeting turns out to have been a much more clear-cut proceeding than could at first be discerned through the fog of rumour that reporters built up on hints from 'official spokesmen.' The President finally dissipated the fog at his press conference last week with a shaft of furious lightning directed especially at the speculation on what had been decided about Formosa. There was nothing to decide, said Mr Truman, for the decisions had been made (by him alone) five weeks earlier. For the present, it appears, the US fleet will go on neutralising Formosa; for the future the United Nations will decide its status.

Communist Dead-line

The day has come and gone on which Communists, Communist-action and Communist-front organisations were supposed to register under the Subversive Activities Control Act, and no one has signed up voluntarily. Now the Department of Justice must go and get those who it thinks are Communists and bring them before the new subversive activities control board. It will take millions of dollars and many years to get through all the legal processes required if the 55,000 alleged Communists in America are to be forced to register.

Long before that, the whole procedure may have been shown to be unnecessary. The Administration has always contended that the Smith Act, under which the eleven Communist leaders were convicted for conspiring to overthrow the government, is all that is needed; the Supreme Court has now agreed to review these convictions and is expected to rule on the constitutionality of that Act.

Congress will be more ready to amend the Subversive Activities Control Act after the election in consequence of the Department of Justice's decision that Spanish Falangists are inadmissible to the United States, under the section which forbids entry to persons with Communist or totalitarian connections. Senator McCarran, the author of the Act, will take the plight of his special pets more seriously than he has that of the many Italian musicians who have been herded on to Ellis Island, even though he claims that this is merely part of an Administration attempt to discredit the Act. In order that the Island should not become an overcrowded concentration camp worthy of any Communist or totalitarian country, the State Department suspended all outstanding visas for reconsideration, with the result that US Consulates abroad have been made demonstration centres for the shortcomings of American democracy.

Politicians in Glass Houses

Democratic politicians in New York have stumbled upon a rare opportunity to be self-righteous at Governor Dewey's expense and they are making the most of it. Politicians who live in glass houses evidently are an exception to the rule, particularly when their party is under fire for tolerating a gambling syndicate in Brooklyn.

It now appears that, when Mr Dewey patriotically decided not to retire from public life after all, the rejoicing in the Republican party was less than unanimous. In a letter to one of his backers Mr Hanley, who had been promised that he should be the candidate for the Governorship, reveals that he stepped aside only when he was given, in addition to the nomination to the Senatorship, an offer to discharge his private debts, a promise of a secure state job if he failed to dislodge Senator Lehman, and an assurance that his salary as Senator would be augmented by a state pension. None of Mr Hanley's explanations is convincing, and the existence of some such deal is hard to ignore.

Mr Lynch, Governor Dewey's Democratic opponent, is taking a high line and demanding grand jury and Senate inquiries into an alleged violation of that part of the penal code which prohibits the bartering of public office. But promises of appointment, after all, are the coin in which all parties deal; Mr Impellitteri, the independent candidate in the New York mayoralty triangle, volunteers that he was offered a $28,000-a-year job if he would oblige the Democrats by standing down. What is really disillusioning is not that Mr Hanley was persuaded to give up his ambitions to become Governor, but that a man of 74, with failing eyesight, was encouraged

to aspire to a Senate seat for which he is clearly not qualified.

The Hanley letter reached the Democrats because of the indignation - perhaps not altogether disinterested - of its recipient. There is a story that it was speeded on its way by a Republican supporter of Senator Taft and consequent critic of Governor Dewey. When Mr Dewey re-entered the political ring, there was much speculation that perhaps he had not given up hope of the Presidency, after all. Last week he announced firmly that 'under any conceivable circumstances' he would not be a candidate a third time. But he threw down a challenge of another kind to Senator Taft and the conservative and isolationist wing of his party when, on a television programme, he rang up the curtain on a new Eisenhower-for-President boom. If Governor Dewey cannot be king, he can aspire to king-making, and General Eisenhower's amiable disclaimer sounded less final than it has in the past.

Calling Up the Ships

Of the six new express liners that were to give foreign shipping lines a run for their money, four have been called up as troop transports: the superliner *United States*, and the *Presidents Jackson, Hayes,* and *Adams*. The *United States*, originally scheduled to be completed in 1952, will be able to carry at least 12,000 troops; if it had been ready this summer, it could have landed a division in Korea within two weeks of leaving New York. The other three smaller vessels have troop capacities of about 2,500. The government is contributing more than half to the cost of each, through construction subsidies and special defence features which enable them to be transformed from luxury liners into military auxiliaries with little waste of time or effort.

The industry is disappointed at the indefinite postponement of its bid for the blue ribbon. But it is delighted that defence needs have so soon justified the liner programme, and shipbuilders naturally hope that new legislation expanding subsidies and a large building programme will sail through the next Congress before favouring Korean winds. More money for more liners is not likely until an investigation shows whether the Maritime Commission (now reorganised inside the Commerce Department) was grossly extravagant in its distribution of subsidies. But the new Maritime Administration is already pressing for $250 million for cargo boats, on the ground that the Victory ships in the reserve fleet are too slow to be safe or economical. Design work has already been given out for a 20-knot ship, with twice the speed and two and a half times the carrying capacity of the Liberty ships.

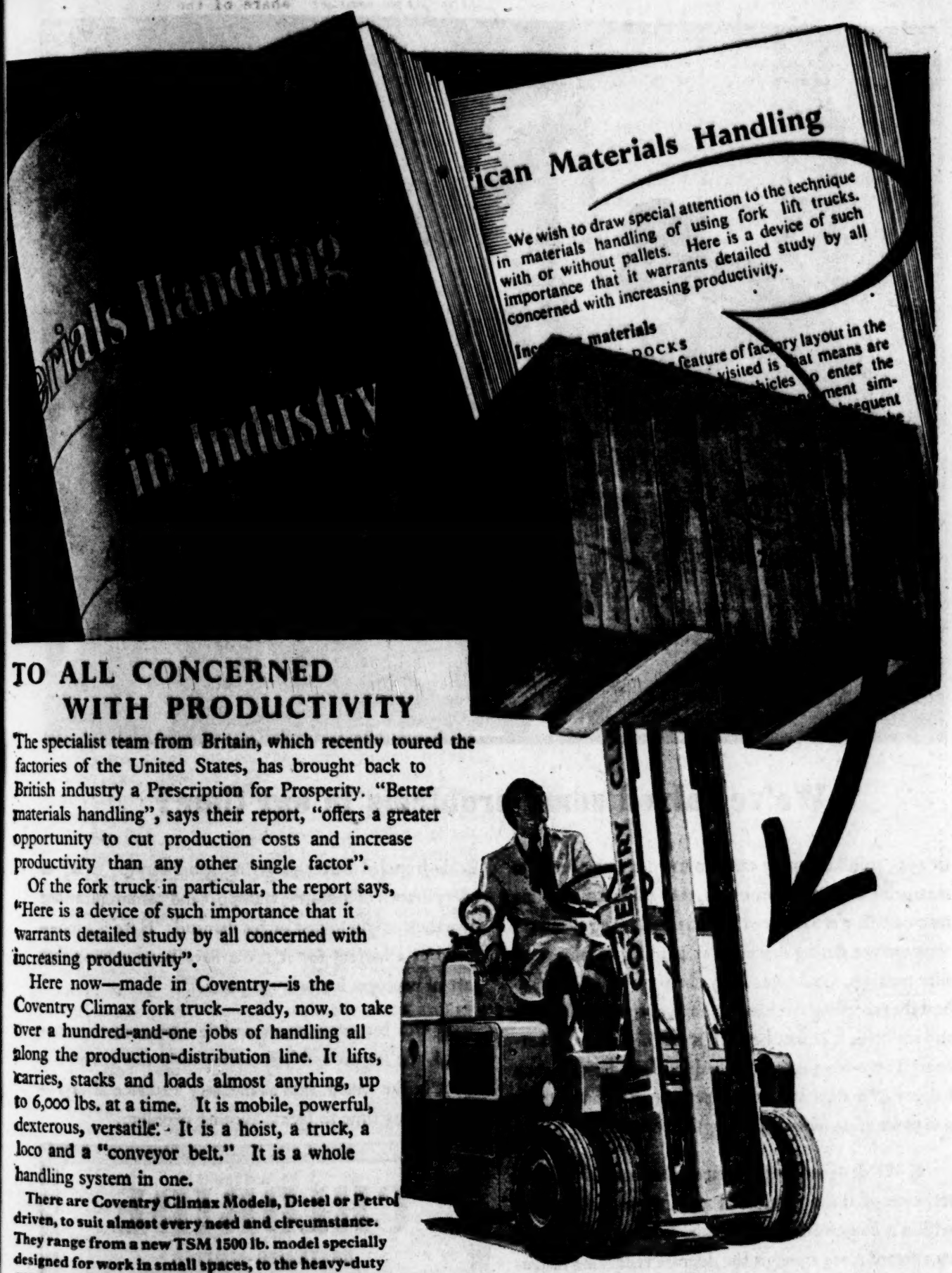
The Bureau of the Budget has so far failed to give its approval, presumably in accordance with the Administration's view that one promising way of easing the dollar shortage is to give foreign shipping a larger, rather than smaller, share of the trade. A big shipbuilding programme not only would mean an expensive duplication of effort, but would further reduce foreign earnings. This view is hotly contested by the industry, and six subsidised lines and the Maritime Committee of the Congress of Industrial Organisations, who have sometimes worked together successfully in the past, have officially joined hands to 'educate' the public in the need for more subsidies and smaller taxes, and the danger of relying upon foreign fleets in an emergency.

Doctors in Arms

Three military hospitals are being reopened to deal with casualties from Korea and young men are no longer judged unfit for conscription because they have fewer than sixteen teeth. The Army has thus a rapidly growing need for doctors, dentists and, more unexpectedly, veterinarians, none of whom are showing any enthusiasm for joining the forces. Their reluctance is in part explained by the services' reputation for failing to make the best use of the medical skill at their command and by the great shortage of civilian doctors, which might be catastrophic in the event of air-raids.

But it is surprising that there has not been a greater readiness to volunteer amongst the young doctors and dentists who received their training at government expense during the war or were deferred while they completed their training at their own expense and who, in the end, only saw active service for a few months, if at all. The recent special legislation, for conscripting medical men up to the age of 51, was directed largely against this particular group and the Army expects to be able to get about 5,000 doctors and 3,000 dentists in this way, enough for its immediate needs. The prospect of conscription does not seem to have stimulated volunteering, as both Congress and the Army hoped it would, in spite of the $100 a month bonus and the immediate commission given to those who come willingly.

It would be easy, but hardly fair, to explain the doctors' apparent neglect of their duty to fight for their country by their preoccupation with their fight against their government. The American Medical Association seems to regard 'socialised medicine' at home as a greater danger to the nation's freedom than the Communist threat abroad, but not all its members go so far. Many of them objected to the compulsory levy of $25 a head, out of which comes the $1,100,000 the association spent in the last few weeks on a concentrated advertising campaign against the Administration's compulsory health insurance plan. As a result few Americans will go to the polls next month without having heard of the government's attempt to guarantee medical care for every citizen. Democratic candidates hope, but not very confidently, that the campaign may defeat itself by winning votes for the government making that attempt.



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THE WORLD OVERSEAS

Cures for India's Poverty

(By a Correspondent)

Of the development schemes considered at the recent Commonwealth Conference by far the largest is that for India. This involves an expenditure of about £1,380 million, of which £600 million is sought from outside sources. Much of this will be spent on agriculture. Three Indians in every four make their living from agriculture, yet acriculture is the least productive of all India's occupations. Yields are at present no higher than when Buddha preached, and total output is little greater than half a century ago. But, though agriculture remains stationary, the population goes up by 1 per cent every year; and so the rural standard of living goes inexorably down, however this may have been concealed over the last few years by the improvement in the countryside's terms of trade with the towns. Today there is only one cultivated acre for each of the 250 million people who live off the land; and that acre produces only a third as much rice as in Japan, or a third as much cotton as in the US, or a third as much wheat as in England.

The inevitable consequences are an upset balance of payments and a subhuman poverty for millions. India has more acres under cereals than any other country in the world, and more under cotton than any country except America; but in 1949 it had to import 3½ million tons of foodgrains and £75 million worth of cotton. Even then 130 million people had to be content with 1,500 calories a day each, the diet of the least favoured classes in Germany in the days when German hunger shook the conscience of Britain and America; and India had available only half as much cloth per citizen as the Gold Coast. Before the war India was the world's greatest exporter of groundnuts; today there are not enough for India's own needs. Calcutta was built on jute; but India last year imported two-thirds of its requirements. A hundred years ago there was land enough for all; today one family in three is landless. Moreover, other outlets are rare, since the poverty-stricken countryside provides only a poor and limited market for industry.

Starvation of the Soil

In India, therefore, an increase in agricultural production is truly a panacea. If the land could be made as productive as in Japan or England, there would be no more risk of revolution, no more difficulties with the balance of payments, no more grinding poverty. If India's annual 60 million tons of food could become 74, if its 3,000,000 bales of cotton and of jute could each become five rationing, budgetary limitations upon development, and susceptibility to economic pressure by Pakistan, would all be swept away in a great economic renaissance.

It can be done. The remedies are well enough known. The two most important are more fertilisers and more water. The soil is starved, because for centuries it has been growing nitrogen-exhausting cereals without replenishment. Religion makes night-soil taboo. Cow-dung is burnt for want of firewood; refuse and urine are wasted. The land is rarely fallow and never laid down to grass. The only nitrogen-fixing crops grown are pulses and groundnuts. The lack of water is more serious still. Only two-fifths of India's cultivated area has an assured water-supply; for the rest a poor monsoon, or simply a badly-distributed monsoon, means famine. Every year the monsoon fails somewhere; this year it is Madras, last year it was Gujerat; in 1943, as everyone remembers, it was Bengal. The protection which irrigation affords has been given to 49 million acres, more than anywhere else in the world, but still it is only a quarter of the area which needs it.

How to Increase Output

More irrigation, however, takes time and money. Fertilisers pay for themselves at the very next harvest. The first need is to turn every available ounce of refuse and cow-dung in the countryside into compost, and every ounce of night soil in the cities into sludge. Direct application of rural night-soil to the land is dangerous to health, but city sludge is germ-free. This alone could increase output by 30 per cent. One could get perhaps another 20 per cent by a series of minor measures - from improved seed, by ploughing along contours and growing more crops like Sann hemp to use, for example, as green manure.

Immediate help on a large scale must come, however, mainly from a greatly extended use of artificial fertilisers. India at present uses a featherweight of 250,000 tons, one-sixteenth as much as Japan for 15 times as many acres. The Government is aware of the need and is building a plant at Sindri which will produce 500,000 tons of fertilisers a year in five years' time. But one Sindri is not enough; half a dozen are required. Meanwhile the filling of the gap should be left to the private enterprise which sold 100,000 tons to the peasant at the bottom of the slump. The present Government monopoly has to give a subsidy at the height of the boom in order to sell hardly more, although each cwt. of sulphate of ammonia gives 3½ cwt of paddy - at today's prices a return for the peasant of 170 per cent on his outlay.

Unemployed in Belgium

(From a Special Correspondent)

Belgium is still, with Germany and Italy, one of the few European countries where the problem of unemployment causes concern, although the general economic situation has remained satisfactory. It first became important in Belgium at the end of 1948 and the post-war peak was reached in January, 1950, with a total of 309,000 registered unemployed, about 15 per cent of the insured population. But during recent months, apart from seasonal influences, the first beneficial effects of the financial measures taken at the end of 1949 and of the improving economic conditions have been felt. After the abnormal period of holidays and social troubles which characterised the months of July and August the number of unemployed has now fallen to roughly 160,000 at the beginning of October, 1950, against 250,000 in October, 1949. The number of completely unemployed fell from roughly 165,000 to 108,000 during the period.

At the end of 1949 the Government took three main measures to check the growing numbers of workless people. First the 1950 extraordinary budget, which includes financing of public works, subsidies to private construction and most of the unemployment allowances, provides for an increase from 15.8 milliards of francs in 1949 to 17.5 in 1950. Then the rate of discount was lowered from 3.5 per cent to 3.25 per cent in October, 1949, and a reform of the banking organisation was prepared in order to facilitate credit to the private sector. Finally the payment of indemnities for war damage was accelerated. In fact, the progress of public works and private building with public assistance has been evident for some months, and between April and June, 1950, unemployment in the building industry decreased by 8,000 to 21,000.

Misleading Statistics

As a result of the Benelux agreements, the exceptional expansion of textile exports to the Netherlands during the first quarter of 1950 reduced unemployment in the textile and clothing industries in the month of March from 39,000 in 1949 to 28,000 in 1950. But this temporary improvement, which was felt especially among women and in Flanders, where 70 per cent of the total unemployment is concentrated, has already disappeared with the return to more normal conditions of activity. The metal industry which still had 39,000 unemployed in April, is already beginning to benefit from rearmament. Nevertheless there still remains a considerable number of registered unemployed, accounting, till July, for approximately 10 per cent of the total insured population. The question arises whether these unemployment statistics give a true picture of business activity and employment.

The latest half-yearly census of unemployed in May indicates that 35,000 of the 177,000 totally unemployed are partially disabled or unemployable. In any case, out of a total of 134,000 men more or less employable 45,000 are over 50 years of age and 52,000 are unskilled workers. The OEEC Report on Internal Financial Stability suggests that in April, 1950, of the 221,000 unemployed, 50-75,000 were in transit to new jobs, 50-60,000 were unemployed for structural reasons and a further 50-60,000 for cyclical reasons. This suggests that the figures of registered unemployment in Belgium must be interpreted carefully, especially if comparisons are made with other countries where definitions are different.

Results of Nationalisation

The conditions under which unemployment allowances can be obtained in Belgium seem definitely to be less rigorous than those stipulated in the United Kingdom. For example, with the exception of some restrictions on female workers, almost every occasional worker can be registered as unemployed, because the payment beforehand of a certain number of weekly contributions is not required in Belgium, as it is elsewhere. Also the unemployed worker benefits, except for the first day of unemployment, for as long as he is unable to find a suitable job. Whereas in the United Kingdom limits are set to the period over which he may benefit. Other factors which may partially account for the increase of some thousands of unemployed as compared with 1949 is the reduction of approximately 25,000 in the number of frontier workers or seasonal workers whose work in France or the Netherlands depends largely on conditions in those countries - and the presence of 4,000 foreign workers among the registered unemployed in Belgium.

There are, therefore, several reasons for believing that the figure of registered unemployment gives a misleading idea of the general economic situation in Belgium. This impression is reinforced by the fact that, in many industries where there are still large numbers of unemployed, employers report difficulties in finding the necessary skilled manpower. Likewise, it is remarkable that in many industrial sectors there has recently been pressure to obtain higher wages, even before there was any rise in the cost of living. These various manifestations are usually associated with periods of full employment rather than of under-employment.

High Labour Costs

None the less, there are undoubtedly a large number of workers who have lost their employment since 1948. This cannot be explained, as in Germany or Italy, by a rapidly growing population or by the destruction of productive capacity. It cannot even be explained satisfactorily by a marked recession of business activity. It seems, therefore, that the most important factor in explaining the rise of unemployment from 37,000 in September, 1946, to 160,000 in October, 1950, must be [illegible] nationalisation of pro-

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BY SPIRAX

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Plainly the aim should be to put the heat to work before it has a chance to slip away unused. Yet it is not uncommon to find quite long lengths of condensate piping without heat-insulation, and boiler feed tanks without either insulation or a top cover. It is not uncommon for condensate return systems to waste heat or cause waterlogging trouble due to faulty designing.

Particularly regrettable are those instances where considerable quantities of low pressure condensate are sacrificed because of some expected difficulty or the supposed high cost of recovery; whereas there is available a quite simple pumping apparatus for that very purpose.

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duction and the ensuing greater output per man-hour. The high level of labour costs in Belgium (now approximately at the index figure of 460 as compared with 100 prewar) in relation to falling wholesale prices (for which the corresponding figure is 367 in May, 1950) has imposed a drastic contraction in costs of production and especially economy in the use of labour. This necessity has been greatly increased since the middle of 1949 by the rapid fall in export prices, which dropped roughly from the index 410 in the second quarter of 1949 to about 350 in the first quarter of 1950.

Every industry and firm is experiencing, in concrete terms, the effects of this economy of manpower, which results from a redistribution of labour as compared with 1946, the modernisation of equipment, and the elimination of the less efficient workers or marginal units of production. This improvement of productivity is, of course, partly due to the end of the sellers' market for labour, and is therefore more precarious than that attributable to modernised equipment. Another reason for the present unemployment is the fact that more than 30 per cent of the unemployed still need training at a time when qualified workers are in demand in many trades.

Fear of Over-Investment

It is difficult to agree, as has been suggested in some foreign circles, that unemployment is due to the policy of monetary deflation which it has been necessary to follow for years in order to make exports possible and to preserve the international value of the franc. But the fact remains that, in relation to other countries, Belgium has been slower to start public works and re-equip public services; the remaining 'Bailey bridge' on the high road from Brussels to Antwerp is often seen as a symbol of this reluctance and delay. Private industrialists have been more anxious than they have been in other countries to avoid any form of over-investment, especially as industrial re-equipment had to be financed from private funds and had not been assisted to any large extent by public financing or ECA grants.

In spite of the efforts already made to promote new industries there still remains, for an economy which is under pressure to improve the productivity of labour, the problem of creating fresh possibilities of employment. They may be found in new lines of production, or in the development of personal services, or by promoting greater mobility, or by envisaging a reduction in working hours and a change in the school-leaving age.

On September 5th the National Council of Employers and Employees *(Conseil général paritaire)* passed a resolution, for transmission to the International Labour Office, to discuss the question of a reduction of working time. It seems, however, that this proposal for an international shortening of working hours, which could have eased the Belgian situation some months ago, is inopportune now. For the new rearmament effort, the prolongation of military service and the better prospects for Belgian heavy industry are likely to stimulate appreciably the present improvement in employment.

Austria Wins a Round

(From our Special Correspondent)

Evidence about what lay behind the recent troubles in and around Vienna is now clearer, and the Austrian Government may now boast that it is not every European cabinet that can claim to have frustrated an attempt to disrupt the life of the country and bring down the regime. The Chancellor, Dr Figl, and his Socialist Minister of the Interior, Herr Helmer, showed justifiable pride in the conduct of the people, and in particular of the Vienna police, when they presented the Federal Assembly at a special session on October 12th with an account of what happened. The western occupation powers can also congratulate themselves on having resisted any provocation to become embroiled in the affair. Only the Soviet commandants intervened to prevent the Austrian police from doing their duty in a number of incidents which Herr Helmer fearlessly denounced.

Cudgels of Steel

The Russians must now bear the odium of interference and - even worse - they must share with the Communists the stigma of failure. The hollow pretence of the Communist peace campaign and their championship of the working people's grievances have seldom been better exposed than by Herr Helmer, when he brandished a bundle of steel cudgels with which Communist 'factory guards' in the Soviet Zone had broken up a meeting of Socialist trade unionists. This incident occurred only last week, after the general strike had been called off, and has been hastily repudiated by the Communist Party. In every way the Communist leaders, of whom only five sit in the Austrian Parliament, are endeavouring to deny that they had aimed at a *Putsch* or that they attacked their fellow workers. At the Allied Commission meeting on October 13th the Soviet representative, confronted with irrefutable evidence, had to make a weak and obviously false statement to the effect that the Soviet authorities were entitled to do what they liked in their zone.

For Moscow Austria has proved a miniature Korea. In the pride of victory it would be well for the Government, the National Bank, the industrialists, the peasants, and, in particular, the army of traders who batten on the Austrian economy, to remember that they owe their survival in the first place to the workers and to the Socialist trade union leaders. More of the British principle of 'fair shares for all' in an era of rising prices would help to ensure that another and better prepared attempt on the regime, if it comes, will meet with equal failure.

THE BUSINESS WORLD

The Balance of Payments

In the first six months of this year the United Kingdom's current transactions showed a surplus of £52 million, compared with a deficit of £54 million in the preceding half-year and a surplus of £16 million in the first six months of 1949. Current and capital transactions combined to produce a rise in official British holdings of gold and dollars of £262 million and in official holdings of other foreign currencies of £18 million, while Britain's sterling liabilities to overseas countries increased by only £131 million. By any criterion of the statisticians's fancy this is a notable performance.

These encouraging figures summarise the elaborately detailed information in the latest Balance of Payments White Paper (Cmd 8065). This document now appears in a much improved form. To give one example, its assessment of the current account surplus is now much more accurate because, at long last, it puts investment expenditure by oil companies and other British enterprises overseas where it belongs - in the capital account. Its thirteen closely packed tables give a clear picture of how sterling has been shunted round the separate monetary areas of the world in the last five years; they supply the answers to many postwar monetary riddles - and pose as many new ones. The analyst of current trends, however, is most likely to look to the White Paper for enlightenment about the remarkable strengthening of sterling since devaluation. Here the most relevant comparison is between the sterling payments account in the first half of 1949 and that in the first half of 1950. The exceptional ebb-and-flow in the second half of 1949, almost exactly divided by devaluation, is better left aside.

Any direct comparison between the experience of sterling in the first half of this year and the first half of last year reveals three points of major interest. First there has been an improvement in the United Kingdom's net receipts from invisible transactions from £59 million to £160 million between the two periods. This striking improvement in invisible earnings more than accounts for the improvement in the balance of payments as a whole, for the deficit on visible trade has greatly increased, from £43 million in the first six months of 1949 to £108 million in the first half of this year. Secondly, only a modest rise has been recorded in the sterling value of United Kingdom exports compared with the figures before devaluation. Thirdly, and most important, a remarkable turn-round is evident in the accounts of overseas sterling countries not only with the dollar area but also with the United Kingdom itself.

On the first of these points - the remarkable improvement in the invisibles - the information in the White Paper is not as complete as one might wish. Some £27 million of the total improvement of £101 million in net invisibles between the two half years arises from increased net shipping earnings and overseas dividend remittances. But the lion's share of the increase (£62 million) is contributed by the item labelled 'Other credits (net)'; this presumably reflects in large measure increased earnings of British oil and insurance companies operating abroad but it is to be noted the list of transactions covered by this omnibus heading takes up nine lines in the notes. The item has some of the appearance of a statistical ragbag into which any untidy trimmings left over after tailoring the statistics of the current account can be gathered. But on any view this item clearly demonstrates that British commercial, financial and industrial enterprise abroad has served the nation well; it has incidentally transformed a net dollar payment of £31 million on invisibles in the first half of 1949 to a dollar receipt of £19 million in the first half of 1950.

The second important point that emerges from the White Paper can be more clearly described. The United Kingdom's deficit on visible trade deteriorated from £43 million in the first half of 1949 to £108 million in the first half of 1950; this was because imports over this period rose from £958 million to £1,150 million while exports rose from £915 million to only £1,042 million. The rise of £192 million in imports was not beyond expectations. An increase in imports of raw materials from the overseas sterling area accounts for £50 million of it, while raw material imports from the OEEC countries rose by £16 million and from other non-dollar areas by £17 million. Increases in all imports from these three areas amounted to £73 million, £55 million and £68 million respectively. Only from the dollar area did the sterling value of imports decrease, by £4 million to £202 million; these imports represented 17½ per cent of total imports in the first half of this year, compared with 21½ per cent in the first half of 1949. Owing to devaluation, they represented a much smaller dollar expenditure than twelve months ago.

The comparatively small rise in the sterling value of exports between the two half years must, however, be regarded in the

circumstances as disappointing. No doubt the country's export potential has improved since June and rather better results may appear for the current half year. The £127 million increase was almost wholly explained by an increase of £36 million in the sterling value of exports to the dollar area and of £81 million to OEEC countries. The value of exports to all other areas showed remarkably little change compared with the first half of 1949. These figures do not in themselves throw doubt on the improved competitive position of sterling exports since devaluation; but it has not been so potent as to evoke a large demand from, say, South American markets to replace their former imports of dollar goods. Nor does it appear that the rest of the sterling area is receiving in anything like adequate volume British exports to make good their voluntary cuts of dollar imports.

This leads directly to the third point. The White Paper throws some new light on the vast improvement in the external payments of the overseas sterling area since devaluation. In the first six months of 1949 the overseas sterling area ran a deficit with the dollar area of £64 million, it had to pay £35 million sterling to transferable account countries and it incurred a deficit of no less than £135 million with the United Kingdom; its overall deficit must therefore have been of the order of £234 million before allowing for sales to the United Kingdom of newly mined gold. In the first six months of 1950 the overseas sterling area showed a dollar surplus of £65 million, it gained £95 million sterling from transferable account countries and its deficit with the United Kingdom was cut to £80 million. These figures indicate an overall surplus for the overseas sterling area of about £80 million - a turn-round of no less than £314 million compared with a year earlier. These figures strongly suggest that the crisis last year was not solely concerned with dollars. It was also a sterling area crisis, reinforced by improvident releases from the sterling balances. These releases heightened the problem of dollar payments, but their effect on the sterling area itself was masked by hot money movements and British capital investment in Australia and other parts of the sterling area. If there is one over-riding moral contained in the White Paper, it is implicit in these figures. British responsibilities towards the rest of the sterling area have assumed an immediate importance which is no less inescapable than British liabilities in terms of dollars.

A varied *potpourri* of other information rewards closer examination of the White Paper. Even in the first half of 1949, for instance, the Colonial Empire earned a dollar surplus of £22 million and also sold £3 million of newly mined gold to the central pool; in the first half of 1950 its net contribution of gold and dollars rose to £60 million. Another point arises from the somewhat improved official figures on the distribution of the sterling balances shown in the second table. This shows that sterling balances held by OEEC countries amounted to £378 million at the end of June. At first sight this total seems odd, for it has been officially stated in Parliament that only £200 million sterling held by OEEC countries could, after due negotiation, be swept into the European Payments Clearing. Some official elucidation of this discrepancy (which may be explained by sterling holdings not in central bank hands) would be valuable. Who are these Europeans who hold £178 million of sterling that cannot be brought into the EPU accounting? There are a number of further technical points on which the White Paper might be more forthcoming but the official statisticians deserve congratulation for having revealed so dextrously the complicated anatomy of the sterling economy. All the figures now revealed support the conclusion, now rapidly emerging from other evidence, that the fundamental assumptions on which British trade policy has been based for three years call for re-examination.

U.K. Payments by Regions

£ million

	1949		1950
	Jan.-June	July-Dec.	Jan.-June
Dollar Area			
Visibles	-111	-140	- 71
Invisibles	- 31	- 20	+ 19
Sterling Area			
Visibles	+ 78	+ 78	+ 13
Invisibles	+ 57	+ 42	+ 67
O.E.E.C. Area			
Visibles	- 9	- 31	+ 17
Invisibles	+ 20	+ 2	+ 34
Others			
Visibles	- 1	- 11	- 67
Invisibles	+ 13	+ 26	+ 40
Total	+ 16	- 54	+ 52
Visibles	- 43	-104	-108
Invisibles	+ 59	+ 50	+160

U.K. Assets and Liabilities

	30/6/49	31/12/49	30/6/50
Assets ($ million)			
Gold and Dollars	1,651	1,688	2,756
Other currencies	176	64	115
Liabilities (£ million)			
Dollar Area	19	36	38
Other Western Hemisphere	92	80	89
O.E.E.C. Area	368	424	378
Others	531	503	471
Total non-sterling area,	1,010	1,043	974
Colonies	533	534	580
Other sterling area	1,692	1,763	1,917
Total sterling area	2,225	2,297	2,497

Business Notes

First EPU Compensation

The first compensation in the European Payments Union, covering intra-European payments over the July-September quarter, has been completed by the Bank for International Settlements. The management committee of the European Payments Union has yielded to pressure by some of the members and is drawing a veil of obscurity over the results. It is more than probable that this pressure has come from Germany and France, who are at the two extremes in this first compensation. Germany is reputed to have run a net deficit that more than accounts for its gold-free credit line with EPU and has been called upon to make a substantial gold payment. France, for her part, has built up a net credit which entitles her to a gold payment by EPU.

Germany's resistance to publication can be readily understood since the figures suggest that Germany is still in a state of economic disequilibrium which makes its position as a partner in EPU equivocal. French reservations can also be understood, though hardly forgiven. The French stand for a considerable measure of protectionism in the tariff negotiations at Torquay might be undermined through publication of the unexpectedly large credit which France has managed to build up with her European partners during the past three months.

The British Government has rightly decided to go ahead with the publication of its own figures, though it will not divulge the state of its bilateral balances. With the EPU countries as a whole, the Sterling Area built up a surplus of 96 million units (equal to US dollars) during the September quarter. This net surplus was met to the extent of £5,847,000 out of pre-June 30 balances held by the countries indebted to the sterling area. This left the equivalent of $79¾ million as a credit balance to be entered on EPU books in favour of the sterling area. This balance will go to reduce the initial debit of $150 million with which the sterling area was charged when EPU was put into operation. If the trend revealed in sterling area–EPU relations over the past three months is maintained, the United Kingdom should be able to extract some gold from EPU before its first year of operation has run its course, although even when the initial debit has been exhausted, the sterling area will have to extend 20 per cent of its quota of $1,060 million as a credit to EPU before it begins to receive gold.

Exchange Account Borrows Again

The borrowing powers of the Exchange Equalisation Account have been increased by a further £300 million, the second such move in less than five months. The total borrowing power of the EEA has now reached £1,175 million - good evidence of the continued inflow of gold and dollars into the British reserve. The current value of that reserve should not be confused with its book value to the EEA since nearly half the gold held in the account was acquired at prices lower than that which has obtained since devaluation in September 1949. The previous increase in borrowing powers was announced on July 5th and it is known that between July 1st and September 30th the Exchange Equalisation Account had to take up an additional £119 million in gold and dollars.

Unless the Account, through some abstruse internal accounting mechanism, had obtained an advance of sterling before the £300 million increase in its official borrowing powers was made on July 5th, it follows that upwards of £180 million must have remained in hand at the beginning of October. If the further increase in borrowing powers is intended for immediate use, it would follow that the inflow of gold and dollars since the beginning of this month must have been considerably greater than the rate maintained in the previous quarter.

This is a matter of conjecture, but it is borne out to some extent by the recent increase in the issue of Treasury bills at the weekly tenders. The bills to be taken up last week amounted to a record figure of £260 million, £30 million greater than in the corresponding week of last year and £20 million greater than the current maturities. The bills to be taken up this week amount to £250 million, some £20 million above the corresponding week of last year. It seems highly probable that the authorities are having to resort to this new net borrowing in order to secure sterling with which to buy inflowing foreign exchange.

Transport Debated

Last week's debate on the 1949 report of the Transport Commission provided yet another occasion for the kind of ministerial apologia that has become common form in the reviews of nationalised industries in Parliament. On this occasion, however, Mr. Barnes was at least prepared to step out of his part to argue two matters of principle, though only 'as an individual Minister'. He argued against any repudiation of interest on the compensation stock; but his rejection of this dishonest nostrum would have come with greater force if he had not begun his speech by claiming that if the Commission's accounts had been cast in the same form as that of company accounts they would have shown a 'profit' of £31 million. The case for a subsidy, whether as a direct grant or relief for the upkeep of strategic lines, was rejected, not on any demerits of its own (Mr Barnes thought that the case for a subsidy could be argued 'on stronger grounds') but because this was the wrong time to add to the taxpayer's burden.

These conclusions are certainly welcome.

So was his justification of the working of the Transport Tribunal. But he had no observations to offer about the organisation of the Commission and its working relations with the Executives. On this, Mr Callaghan (brought in to reply after an attack on the Minister by a Labour member, Mr Poole, who insisted that there was not traffic enough for more than 650,000 road vehicles compared with the 801,000 in operation) produced evidence to controvert comments made in *The Economist* of September 23rd. Mr John Elliott, the Chief Regional Officer of the London Midland region, speaking elsewhere on the same evening as the debate, denied that, in his experience, 'regional initiative is strangled, enterprise frowned on, frustration nurtured.' These views are entitled to respect, as are those of other strong critics of our article. But unhappily the statement that all is well in one or two of the Railway regions does not dispose of the general arguments in the article about the relations between the various strata of the transport system.

Commentary on Exports

Britain's exports declined in September by £18 million to £171.4 million, an unusual occurrence since exports normally begin to recover in September from the low level of August. This year, the August figures were the highest ever recorded; thus it seems that the September total reflected the delayed effect of the holiday period. Exports of all major groups (except chemicals, which reached a record of £10.2 million) declined during the month. Increases were recorded by some of the smaller categories, including linen, oils and fats, leather, sugar and biscuits, but apart from these the decline was general.

Shipments of vehicles fell by £7.6 million to £27 million. The United States took a larger quantity of motor cars than in August while Canada took fewer. But during the first nine months of the year Canada has remained the second largest market for the British motor industry and in one or two months it took more cars than Australia, Britain's largest market. Exports of machinery declined by £4 million to £23 million; shipments to the Soviet Union amounted to only £500,000 compared with approximately £1 million a month in the previous eight months. Cotton and wool textiles both declined, though not sharply, and in each group shipments to the United States increased while those to Canada fell. But Canada is still by far the largest market for the wool textile industry; it took 12 per cent of the industry's total exports in the first nine months of the year. Exports of woollen and worsted tissues during the third quarter were the largest since the war.

Apparel, though a less important export, offers an interesting illustration of possible repercussions to the British export drive. Exports of apparel this year have been increasing steadily and Canada and the United States have become the second and third largest markets respectively, following closely on Australia. Last week the United States announced to the tariff conference in Torquay that it would resort to the escape clause of the General Agreement on Tariffs and Trade and raise its import duty on hats.

Film Trade Defends Itself

Among the recommendations of the Plant committee on film distribution and exhibition it was a quite innocent-looking suggestion that aroused the sharpest controversy - the proposal to set up a body independent of trade interests to regulate certain matters in the trade and act as arbiter in some disputes. This is the last thing the trade wants, and the report (HMSO, 4d.) of the trade members of the Films Council, which undertook the duty of working out 'specific practical proposals', makes the fact clear once more. The proposed body would deal, among other matters, with disputes between members of the trade arising out of the new and freer film booking procedure that the Plant committee desired to see introduced. But the trade's representatives do not fully share the Plant committee's faith in freedom. Indeed, they point out that the industry is not one in which a standard formula or a recognisable grade of efficiency will necessarily lead to success - and success, once attained, cannot be automatically repeated. Therefore, they argue, free competition will not necessarily produce the results expected of it, and 'the usual arguments about promoting efficiency have only a very limited application in the film industry.'

The trade committee does not agree with the more important of the Plant recommendations designed to secure a freer booking procedure. It concedes that trade practice has become somewhat too standardised; it accepts the suggestions of pre-release provincial runs, extended runs in certain provincial centres, and an increase in the number of copies put into circulation. But it does not want competitive bidding for films; it does not want to see cinemas in monopoly situations made to change hands; and it does not want to end the practice of barring. Above all, however, it does not want any independent tribunal arbitrating on questions of this kind, and if any arbitration is to be done it wants the Films Council (with its heavy trade representation) to do it.

Some of this is the mere natural dislike of interference. But it seems not unfair to detect two ideas underlying the tenacity with which the quite sensible suggestions made in the Plant report are being opposed. One, that appears in the trade members' report from time to time, is the state of mind that relies on enforcement of the quota to put things right. The other is a desire (no doubt sincere) to encourage good films - but without discouraging bad ones. A trade entrenched behind such ideas as these is in no condition to reform itself.

Allocation for Raw Materials?

Pressure for some system of internatio al allocation of raw materials is now comi from other sources than the United State The Council of the Organisation for Europe Economic Co-operation has decided to sur vey world supplies of raw materials and t devise allocation schemes for scarce commodi ties. The same topic has also been discussed by the North Atlantic Treaty Organisation.

The anxiety of the United States about raw materials is evident. In the first six months of this year, commercial consumption of all commodities has reached a high level and consumption of copper, zinc and natural rubber touched new postwar peaks. Commercial stocks have fallen sharply in the period - copper from 104,000 tons to 45,000 tons, zinc from 84,000 tons to 24,000 tons, and natural rubber from 107,000 tons to 100,000 tons. Stocks of lead declined only slightly from 63,000 tons to 61,500 tons, while tin provided an exception with a rise in stocks from 36,000 tons to 43,000 tons. This running down of inventories, it will be noted, occurred in the six months before the fighting in Korea.

Consumption of raw materials in other countries has also increased but less markedly. World consumption of copper, zinc, natural rubber, wool and rayon has reached the highest levels since the war. Although production is expanding, it is not keeping pace with these record rates of consumption. During the first half of 1950, world outputs of copper, zinc, lead, tin, natural rubber, crude oil, wool, cotton and rayon reached the highest annual rate since the end of the war. The actual increases compared with 1949 ranged from 0.5 per cent for cotton to 10 per cent for natural rubber.

The Gap in Supplies

At present, the biggest question for the commodity markets is the measure of additional demand to meet the expanded stockpiling and rearmament programmes. Of this only the most tenuous estimates can be made. The accompanying table shows world production, consumption and commercial stocks for five representative commodities covering the period from January to June. Production of copper, tin and natural rubber exceeded consumption, but since in each case commercial stocks also declined, the inference must be that stockpiling has absorbed the current surplus and part of the world's free stocks. The figures suggest that such stockpiling purchases accounted for 92,000 tons of copper, 36,000 tons of tin, and 45,000 tons of natural rubber. Consumption of synthetic rubber exceeded production, but the excess was almost exactly matched by the fall in world stocks. Wool consumption equalled half the combined current clip and offerings from the Joint Organisation's stocks.

Some estimates of American military requirements have been made by the Economic Co-operation Administration and other bodies; these are given in the last line of the table. They represent a significant addition to normal American consumption, and indeed to world consumption. Two points emerge from a comparison of these figures with world production, consumption and stocks. First, these additional American requirements (and the United States is not the only country now rearming and stockpiling) cannot be met from existing world stocks. Secondly, if world consumption is maintained at the same level as in the first half of 1950, world output will not expand sufficiently to meet these new demands.

To what extent can production expand still further? Natural rubber production in 1950 is expected to reach 1,750,000 tons and to rise by 75,000 tons next year. Synthetic production this year should total 560,000 tons and is scheduled to reach 950,000 tons a year by next March. Copper output might rise by a further 5 per cent, but only if there is no labour trouble and if Northern Rhodesia gets enough fuel - which is seriously in doubt. Tin production might be maintained, but wool supplies will be small owing to the depletion of the Joint Organisation's stocks.

World Commodity Supplies
January - June, 1950
(in thousand tons, except wool mn. lb. clean)

	Copper	Tin	Rubber Nat.	Rubber Synth.	Wool
World:					
Prod'n.	1,160	86	820	229	1,313*
Consmptn	1,135	61	785	255	1,313
Stocks					
1/1/50	236	129	725	110	n.a.
30/6/50	169	118	715	75	n.a.
USA:					
Consmptn.	615	34	363	237	314
Stocks					
1/1/50	104	36	107	98	n.a.
30/6/50	45	43	100	65	n.a.
Estimated military requirements	260	100	750		200

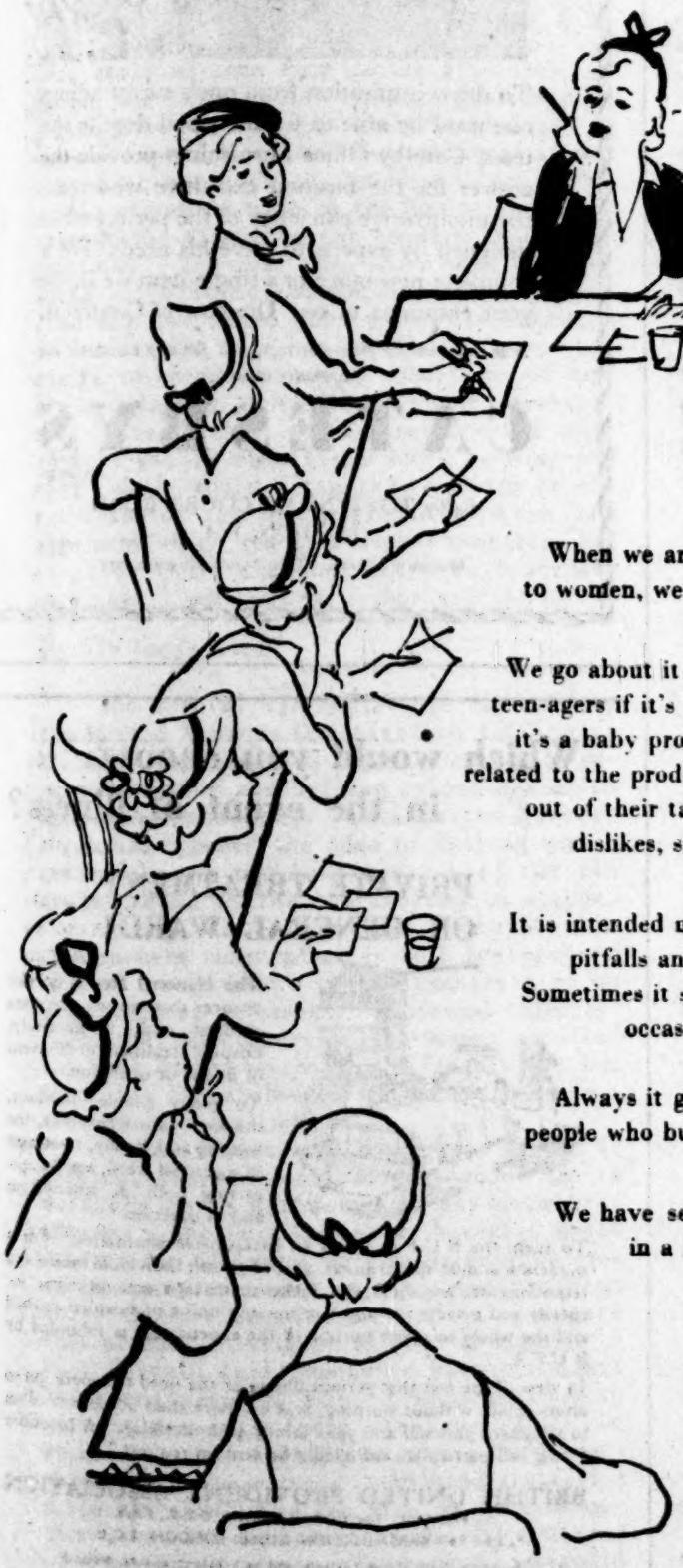
* Half of combined seasonal clip and offerings from Joint Organisation stocks.

Canadian Bank Rate Raised

The Bank of Canada increased its bank rate from 1½ per cent to 2 per cent on October 17th, thus adding one more significant adherent to the number of countries which have recently called into play the orthodox mechanism of credit control in order to counter inflation. A statement by the board of directors of the bank explaining the increase recalls the previous reduction of the rate in 1944. The bank then expressed the view that it saw no prospect of economic developments in the post-war period that would call for a policy of higher interest rates. In face of this venture into prophecy, the board of directors now admit that 'the earlier view no longer holds good under today's conditions when Canada faces the prospect of substantially increased defence expenditure, adding to

women matter . . .

even when they natter



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Canada's bank rate decision is, perhaps, little more than a gesture; interest rates in the Dominion are not under such direct influence of bank rate as they are in the United Kingdom. But, taken together with the policy of letting the dollar go free and of removing as from the end of this year import prohibitions and quota restrictions, it does suggest an acceleration of the trend towards a policy of monetary freedom and orthodoxy.

The Canadian dollar has recently been settling down at around $2.95¼ to the £ in London and 94 7/8 cents to the US dollar. Some early advices from Canada after the decision was taken to let the rate go free suggested that the Canadian authorities hoped to see the Canadian dollar re-established in due course at parity with the US dollar. The public statement made by the Minister of Finance at the time does not confirm these suggestions. The full text shows that the Canadian authorities had decided not to establish any new fixed parity for the Canadian dollar for the time but to allow rates of exchange to be determined by conditions of supply and demand. Mr Abbott hoped, however, that 'after a short transitional period' reasonably stable conditions would develop and that Canada would ultimately conform to the provision of the International Monetary Fund agreement which requires member countries not to allow their exchange rates to fluctuate more than 1 per cent on either side or parity.

The Tin Conference

The special tin conference convened by the United Nations Organisation to discuss the draft agreement on buffer stocks with regulated buying and selling prices opened in Geneva on Wednesday. The United States, which had opposed the idea of calling such a conference at the last meeting of the tin study group, in the end decided to attend. During the past six months, considerable changes have taken place in both American and British views about the advisability of an international agreement. Informal talks between the two countries last summer smoothed out most of the technical difficulties, but Korea has since altered the whole conspectus of commodity dealings.

If the recent wool conference serves as a guide, international allocation of tin is unlikely to be discussed in any detail at Geneva. The United States, however, would like to see agreement on a maximum price even if it meant agreeing to a minimum price as well, though its main concern is to ensure that production will be allowed to expand.

Britain still wants to have the draft agreement adopted but is less anxious to have it put into force straight away. It argues that the high price of tin is due entirely to panic buying; published statistics certainly show no marked rise in tin consumption since the Korean invasion. The fixing of a maximum price at the present time would neither lessen demand nor expand output. But as soon as political conditions become more normal, the price of tin might well be expected to fall to a more reasonable figure. On Monday the London price of tin reached an all-time record of £909 a ton.

World Price for Wheat?

This week the international wheat council presented its first annual report at a general meeting in Geneva. The report discussed the familiar point that purchases of American wheat in 1949-50 were smaller than the sales guaranteed under the international wheat agreement. The undertaking on the part of importers to buy their quotas operates only when the price is at the agreed minimum for each year. The United States, the principal exporter, pursued a policy designed to keep the price at the maximum, and hence it was not entitled to ask purchasers to honour their guarantees.

The new exporting season has brought a significant development from Canada. Last month the Canadian Wheat Board decided to reduce the price of wheat sold outside the agreement to $Can. 1.98 a bushel. This is the maximum price that producers are entitled to charge for the fixed quantities of agreement wheat. Non-agreement wheat had previously commanded a premium of as much as 30 cents a bushel. Australia is still selling wheat outside the agreement at a premium of 15 per cent but the quantities are small and Australia is the only major wheat exporter prepared to accept sterling. The Canadian move, therefore, has not led to a uniform price of wheat for all sales by member countries to all purchasers, though it may perhaps be a step towards that end.

* * *

The oversubscription of the Northern Ireland loan establishes a new basis in the gilt-edged market. Applications totalling nearly £19 million were received for the £4 million of 3¼ per cent stock 1969-71 on offer to the public at 98. The redemption yield is approximately 3 3/8 per cent.

STATISTICAL SUMMARY

Finance		Week ending Oct. 14 1950	Oct. 21 1950
Note circln. (Wed)	£mn	1,281.0	1,278 6
Tr.Bills allotted	£mn	260.0	250 0
Av.rate per cent		10s.3.25d.	10s.2 94d
Total Floating Debt	£mn	5,954 3	6,302.0
Total Ord.Rev.	£'000	46,690	50,776
Total Ord.Exp.	£'000	54,706	83,101
Change in Nat.Debt.	£'000	+12,970	+345,074
Total Nat.Debt.	£mn	26,291	26,636

Gilt-edged Yields %	Oct. 17 1950 £ s. d.	Oct. 24 1950 £ s. d
Consold 2½%*	3 8 0	3 7 8
War Loan 3% (1955-59)/	2 3 2	2 2 7
Funding 3% (1959-69)/	3 0 11	3 0 5
War Loan 3½% (after '52)*	3 13 0	3 12 6
Br.Elec.3% (1968-73)/	3 2 10	3 2 5
Br.Trspt.3% (1978-88)/	3 5 7	3 5 3

*Flat Yield /To earliest /To latest date

Company Meetings

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25th Year of Foundation of Business

Turnover Creates All-Time Record

The eighteenth annual general meeting of Willsons (London and Provinces), Ltd., was held on October 18 in London.

Colonel the Right Hon. Lord Baraby, C.M.G., C.B.E., M.V.O. (chairman), who presided, in the course of his speech said:

Turnover for the year under review has been a record, which indicates the fundamental vigour in the direction of the business. Part of the increase was influenced by the termination of rationing and the opening of new branches and the conversion of former non-profitable branches to a different character of merchandise, giving a greater volume of trade. Simultaneously the weather in the summer of 1949 favoured sales of women's dresses.

Profits and Appropriations

The net profit of the group for the year is £254,131 before deducting directors' fees and management emoluments, depreciation and amortisation. After allowing for all charges including Taxation there is a balance of £101,417, and in compliance with the Government's wish, we are maintaining the dividend on the Ordinary and 'A' Ordinary shares at 30 per cent., which amounts to £17,325 net, and as this only absorbs a fraction of the amount earned under normal conditions a higher rate would have been recommended. It is interesting to note that if the net amount distributed in dividend to Equity shareholders were calculated on the capital employed, and not on that issued, it would only represent a dividend of 3½ per cent.

Great effort has been involved to attain these results, because it has been necessary to cover both the compulsory reduction of 2½ per cent in the profit margins on utility garments and rising costs in overheads, including wages, &c., and the increased demand for garments at lower retail prices.

In pursuance of the Company's aim to maintain an attractive appearance of its premises, considerable sums were, as customary, spent on repairs and renewals. The figure at which shop fixtures and fittings stands in our books, less depreciation, of course, reflects a valuation far below what any correct computation would set on these at their today's replacement costs.

You will observe that the freehold and leasehold properties which stood in the accounts twelve months previously at £228,710 have, since the last accounts were published, been valued professionally as of March 31 last. The resulting surplus on valuation, amounting to £483,914, has been carried to capital reserve account.

Strength of Company's Reserves

I would like to draw your attention to the following items in the consolidated balance-sheet:-

(a) Reserve for future taxation stands at £82,750. This is considered adequate to cover taxation for all profits to March 31, 1950.

(b) The aggregate reserves set aside out of this year's profits amounts to £76,626.

(c) Total reserves now amount to £963,594, or over nine times the ordinary share capital.

(d) Total assets now stand at the record figure of £1,671,816, reflecting the continuing expansion policy of your Company.

Stocks, you will notice, show an increased amount in value. This reflects what was considered prudent forward buying to take advantage before the expected price increases. This involved the advance 'taking in' of substantial volume which contributed to the increased total.

The abolition of rationing has brought about a progressive return to the former conventional 'seasonal' trading. This brings with it more rapid fashion changes which in turn involve larger markdown costs. This brings repercussions in varied directions, including timings in purchase of merchandise stocks.

Where the Money Goes

I have in previous years informed you how every 20s. spent by the public in our branches has been utilised and would emphasise that the amount distributed in dividends this year represents again only 2d. in the £ of turnover.

When the Wages Council brought in this year a standard minimum rate of remuneration for employees in the retail trade for the class of goods handled by this Company, it was found that the earnings of 1,544 out of our 1,600 employees were more than the new recognised scale.

Development of the Company

In regard to future development the policy of going steadily forward will continue and branches be opened whenever an opportunity promising profit appears. During the year five new branches were so opened. The Company will not engage itself in any race in order to claim a record number of branches in its class of trade.

Trading Conditions

The distributive trades are all operating under the impact of progressively rising costs both in raw material and in most making charges. With, however, the likelihood of full employment being assured for some time to come the demand for our products will continue to be assured so long as prices do not rise above the purchasing power of the public.

Sales to date in comparison to last year are slightly down, in common with most other retail distributors. The demand for autumn and winter, however, looks encouraging, and while it is most difficult to forecast these days, I have every hope that our turnover will approximate to that for the year under review.

We again wish to record our thanks to the workers in the factories, to the makers of materials, and to those manufacturers of garments with whom we do business, and to each of them we express our appreciation of their help and co-operation during the year in presenting to the consumer-public merchandise which must have possessed attractive qualities. We hope that the same co-operation will continue in the future.

Twenty-Fifth Anniversary

In expressing our best thanks to our founder and managing director, Mr. Maurice Mauray, I would point out that the year 1950 marks the twenty-fifth anniversary of the foundation of the business by him. It is a wonderful achievement that in so short a period such great and sound progress has been attained and Mr. Mauray must feel rightly proud of all that has been accomplished in those 25 years, in spite of the difficulties through which the Country has passed during that period.

We also wish to express our thanks to Mr. James Cohen, the director in charge of merchandise; to the buyers for the efforts of the administrative officials; and to all the members of the staff employed at headquarters and in the branches throughout Great Britain and Northern Ireland for their loyal services during the trading year.

The report was adopted.

ODEON THEATRES & SUBSIDIARY COMPANIES

A Year of Progress

Mr. J. Arthur Rank's Statement

The annual general meetings of Odeon Theatres Limited and its Subsidiary Companies were held on Sept. 28 in London, Mr. J. Arthur Rank, D.L., J.P., (the chairman), presiding.

The following are extracts from his circulated statement:

In my statement on the accounts for the year ended June 25, 1949, I had a disappointing, indeed a disastrous, account to give of that year's results due to the losses sustained on our large-scale production programme of British films.

The year now under review, ended June 24, 1950, has been an extremely difficult one, since it covered the transitional period between the heavy production losses of 1948-49 and what I hope will prove a more stable and more satisfactory future. It was impossible to make a sudden contraction in the large film production programme and organisation without sustaining losses, but unless drastic steps had been taken the financial position of the group, already strained, could not have withstood the burden of the loss which would inevitably have occurred from a continuation of large-scale production under the conditions then existing.

Policy Of The Group

The policy of the group during the year under review has been influenced by the following aims: (1) To reduce film production commitments; (2) to reduce the unfunded indebtedness of the group; (3) To effect economies in overhead expenses and ensure maximum efficiency.

The year's results unfortunately show a net loss which will be as disappointing to shareholders as they are to me. Such loss is very considerably reduced when compared with the loss of the previous year, and, in view of the factors to which I have referred, it may be regarded as not unsatisfactory. A great deal has been done during the year, and the group's financial position has been considerably improved, so that we can face the future with far more confidence than when I reported to you last year.

Bank Loans And Overdrafts

It is satisfactory to record that a reduction of £3,336,545 has been made in bank loans and overdrafts, from £16,286,581, at June 25, 1949, to £12,950,036 at June 24; 1950. Of the total bank indebtedness £2,863,000 is lent to Odeon Theatres Limited, £2,100,000 to Overseas Cinematograph Theatres Limited, £1,468,000 locally to overseas exhibiting companies, and £5,350,000 is now directly employed in film production and distribution, and the balance is advanced to various theatre-owning and manufacturing companies in the group. In the aggregate mortgages, Debentures, loans and overdrafts have been reduced by £4,064,665 during the year.

Consolidated trading profits, less losses, show an increase of £1,706,070 as compared with last year. Last year the trading profits were arrived at after including a non-recurring credit of £1,296,466, arising from the alteration in the basis of valuation of films; in consequence, the improvement in the year's trading profits is greater to this extent. This improvement is due to a reduction in the amounts required to be provided for losses on film production. These losses were, however, very substantial in this transitional year and amounted to approximately £1,750,000 in the case of the Odeon and G.C.F. group and £575,000 in the case of Gaumont-British Picture Corporation Limited, including its wholly-owned subsidiary, Gainsborough.

Having regard to the policy which has been adopted for future film production, I do not anticipate that losses of this magnitude should recur although losses on a much reduced scale are probable.

Gaumont-British Picture Corporation

The trading profit of this company at £1,794,720 shows a reduction when compared with £1,890,175 in the previous year, but the previous year's figures included a non-recurring credit of £332,038 resulting from the change in the basis of valuation of films. The provision for production losses on Gainsborough films, charged against trading profits, amounted to approximately £500,000 (apart from contributions to Studio overheads shown separately, £77,804), due to circumstances to which I have previously referred. At June 24, 1950, there were three Gainsborough films completed, but not released. In addition, the Corporation, through a subsidiary, had financed the production of a number of uncompleted or unreleased educational or sponsored short films. Theatre profits showed an increase as compared with the previous year.

British and Dominions Film Corporation Limited

Total reserves now exceed £1,100,000. Loan capital has been reduced by £69,228. The bank loan of £997,252 has been repaid.

National Provincial Bank, Ltd.

When dealing with the financial position of the companies within the group, I cannot allow this review to be concluded without referring to the help and encouragement we received from our bankers.

The support which we received, both at that time and in the months that followed, was magnificent. Our bankers gave us every assistance possible and this has done more than anything else to assist us to recover the position and enable us to present these accounts which show that we have made material progress towards putting the financial affairs of our business in order.

This would not have been possible but for the farsightedness of our bankers and the support they gave us.

Film Production

I informed you last year that it was your Board's decision to continue during the year under review with a reduced production programme. This policy has been carried out and has enabled us to reduce our commitments and thus control terminal losses, whereas if we had ceased production entirely, our losses would have been infinitely greater.

I am sorry to say that, although a report by the Working Party on Film Production Costs and the Report of the Committee of Inquiry on Distribution and Exhibition of Cinematograph Films have been published during the year, and although there have been five debates about the industry in the House of Commons, the basic problem facing the production side of the industry has not been solved - that is, that the annual investment which is made in producing the negatives is greater than the return which can be reasonably anticipated from the markets available to British films.

I said at the annual general meeting last year that the National Film Finance Corporation had done immeasurable good in providing finance for production which could not be found from usual financial sources. They have continued to play an important part in the last twelve months in helping to keep production going.

Assisting Independent Producers

It is in the national interest, as in the interest of our business, that there should be a strong and healthy British film production industry; but we must curtail our production activities until it is possible to expect that a series of films, if made with reasonable competence, will recoup at least their cost.

Four directors have considered very carefully the policy which they should adopt for the year now before us, and have decided that, in view of the difficulties existing in the industry, the problem must necessarily be dealt with on a short-term basis. We are proposing, therefore, to assist both with finance and creative and technical assistance, independent producers to produce a limited number of films which otherwise might not be able to obtain the necessary finance. The financial assistance will be provided by means of distribution guarantees. The producer who operates under this plan will be able to take full advantage of the fine equipment and facilities which we have to offer in our studios, and obtain the benefit of our world distribution organisation.

Entertainment Tax

The industry during the year has had to spend a great deal of time in wrestling with the unreasonable burden which it has to bear. In the 554 theatres controlled by this group the public paid £26,615,205 by way of admission prices, and of this total no less than £10,278,391 was drained off at once as Entertainment Tax. Nearly 7s 9d in every pound taken at the box-office has gone straight to the Inland Revenue.

If the basis of tax applicable to live shows and some other forms of entertainment had been applied to our business, the tax which would have been paid would have been reduced by no less than £8,158,888 to £2,119,503. It must also be remembered that in addition, tax in similar proportions will have been suffered on takings from films produced by us exhibited in theatres outside the group. These figures bring out the astonishing burden from which our industry, which provides entertainment for such a large proportion of the country's wage earners, is suffering.

If only a small portion of this difference in the two rates of tax had been made available to our industry, its economic problems would have been solved, and it would have been able to embark with confidence on a balanced British production programme.

I am glad to say that during the last few weeks the Government has admitted in principle that the industry needs help, but I am sorry to say that the help which has been offered will not solve the problem, though, of course, it should be welcome.

The negotiations with the Government brought the whole industry together, and that in itself will, I am sure, over a period bring benefits to the industry.

This scheme - a voluntary one - could not have been brought into being except with the agreement of the American production industry. I would like to thank them for the way in which they came forward and agreed to participate in the scheme, which showed their far-sighted approach to the problems which exist.

Children's Cinema Clubs

The Departmental Committee on Children and the Cinema issued their report on May 5, 1950. This report passed many complimentary remarks about the way in which our clubs had been run and the efforts of many of the managers of the theatres in connection with them.

We intend actively to continue the operation of these clubs as we believe it is a contribution which we should make to national and community life.

Distribution

Overseas - The policy which we instituted some years ago of developing a world overseas distribution organisation continues materially to help our overall operation.

We firmly believe that to secure the best results from distribution it is necessary to have a world distribution organisation operated wholly by ourselves, or in partnership with nationals of the countries in which we operate.

I am happy to say that independent producers have made increasing use of our organisation during the year and that we are distributing 30 independent productions.

We are prepared to extend the facilities which we have to offer to any British producer upon the same terms as those which apply to films financed by ourselves.

Western Hemisphere - We have today good relations with the leaders of the American industry, but in spite of this the distribution of British films in the U.S.A. in particular remains a difficult operation. We have made progress during the year by placing our films in theatres which specialise in such product, which policy we believe is the soundest way of exploiting the American market. We know that this policy is a slow method of distribution, but nevertheless it is one which produces net results in the form of cash remittable to this country.

Organisation

It has been an essential part of our policy during the year to examine the whole of the group organisation and to effect economies wherever possible. Very substantial economies have already been made but are not fully reflected in the results for the year under review.

I am proud to say that we have to-day fine personnel who form the executive of this group.

Their loyalty and the loyalty of all our employees who work under them has been most gratifying and encouraging to myself, the managing director, and my colleagues during this difficult period.

My colleagues and I would like to thank them all for their efforts and loyalty during the year.

It is the wish of the Board of directors of the four principal companies that I should place on record their appreciation of the outstanding services of Mr. John Davis during the past year. In face of great difficulties he has carried through extensive reorganisations to meet the changed circumstances resulting from the reduction in the film production programme: the financial position of the group has been strengthened, commitments reduced, economies effected wherever possible and a high degree of efficiency maintained.

I am hopeful that, in the absence of circumstances over which we have no control, the progress which has been made in strengthening the financial position of the group and consolidating its trading activities will be continued during the current year.

The reports and accounts were adopted at each meeting.

NEEPSEND STEEL & TOOL

Mr S. C. Goodwin's Review

Mr. S. C. Goodwin, J.P., (Chairman) presided at the 30th annual general meeting of the Neepsend Steel & Tool Corporation, Limited, held at Sheffield on October 17. His statement disclosed that the results showed an improvement over those of the previous year. Reserves and Surplus of the parent company were £224,341 compared with £495,511 the previous year, mainly accounted for by capitalisation of reserves in connection with the Bonus Issue. Current Assets totalled £1,002,906 against Current Liabilities and Provisions £564,807 giving an excess of Current Assets of over £400,000.

The Consolidated Reserves and Surplus amounted to £1,264,718 compared with £1,398,565 a reduction due to capitalisation of Reserves. Current Assets of the whole group amounted to £1,802,019 against Current Liabilities and Provisions of £399,989 showing an assets excess of £1,402,030. It would be seen that the Neepsend Group was in a very sound position financially. The Consolidated Profit and Loss Account showed trading profits before taxation had

amounted to £539,554 against £528,649 in the previous year. After providing for transfers to Reserves and for the proposed Dividends and Bonus the carry forward was £649,737 against £528,397 brought forward.

During the last few years several additional businesses had been acquired which had previously distributed dividends now credited to the Neepsend Steel & Tool Corporation. The directors felt that the members of the company were entitled to a slightly larger return especially as the companies had been acquired from built-up reserves. The Dividend and Bonus declared on the Ordinary Stock represented approximately 5 per cent tax free on the capital employed in the Group.

The report was adopted.

POWELL DUFFRYN LIMITED

The annual accounts to the 31st March 1950 were presented at the annual general meeting held on the 25th October.

The Company has maintained its dividend at 8%. After the 31st March it received £3½ million of Treasury Stock in payment on account of Compensation and this stock has since been sold.

The following is an extract of the Statement of the Chairman - Mr. Edmund L. Hann:-

The main Group Companies have had a difficult but, on the whole, successful year.

Nothing could be more disappointing than the continued failure of the Coal Mining Industry of this country to produce sufficient coal to supply export markets which have been ours for up to one hundred years.

It was expected that, after nearly four years of national ownership we should have been allowed - indeed encouraged - to go out into the World and sell British coals freely, but such is not the case, and, slowly but surely the Coal Export Trade of this country is dying. The Company's substantial overseas depots have been compelled to deal in foreign coal to satisfy its customers although they would prefer British coal if only it were available.

Having regard to the limited quantity of coal available for export, our exporting houses, Cory Brothers & Co., Ltd., Gueret, Llewellyn & Merrett Ltd., and Maria Export and Trading Co., Ltd., have held their own in overseas markets.

In the inland and coastwise distribution of coal, Stephenson Clarke Ltd. has maintained its position. It has replaced its shipping lost during the war having 21 vessels totalling 45,690 tons compared with 19 ships totalling 36,040 tons in 1939. The facilities of Stephenson Clarke have been increased by the acquisition of the old-established business of E. Foster & Co.

Cory Brothers & Co., Ltd., has continued to widen its interests particularly in general exports. Valuable orders for agricultural equipment have been received from Canada and elsewhere.

Since the 31st March Powell Duffryn has invested £500,000 in the Wankie Colliery Co., Ltd., and has been appointed managers of the Colliery for a minimum period of ten years. The Wankie Colliery in Southern Rhodesia offers magnificent opportunities for development; the coal is of very good quality and is in full demand.

On 24th March last, we signed Heads of Agreement with the Socony-Vacuum Oil Co. Inc. of America, providing for the erection of a new refinery at Coryton. The refinery will be owned by the Vacuum Oil Co., a British company, to be jointly owned by Socony-Vacuum and the Powell Duffryn Group.

This project will cost not less than £3,500,000 over the next few years and it is expected that the plant will operate early in 1953.

Cambrian Wagon Works Ltd. have been fully employed during the year with satisfactory financial results.

Powell Duffryn Technical Services continues actively at home and abroad. It has been engaged overseas on important work as Consultants for Governments and private clients in the Dominions and Colonies and in Europe on various aspects of coal development, processing and utilisation.

The Company has been commissioned by the Government of Southern Rhodesia to act as Consultants in connection with an oil-from-coal plant. It has also carried out for the Government of Greece an investigation into the Lignite deposits of Western Macedonia under the auspices of the Marshall Aid Administration.

On the fuel utilisation side, in accordance with our decision to expand this aspect of our work, we have in addition to our branches at Birmingham, Glasgow, Newcastle-upon-Tyne and Sheffield, now opened a Branch Office in Cardiff to serve South Wales and the West of England.

The major part of the equipment of Powell Duffryn Carbon Products Ltd. has been installed. We are now placing on the market various products for the Engineering and Chemical Industries, some of which are of novel design and meet a demand from industry which could not be satisfied by the conventional forms of carbon.

The Chairman announced that he was relinquishing his office as Chairman at the conclusion of the meeting and at the unanimous request of the Directors, Sir Herbert Merrett had agreed to accept the Chairmanship.

The Report and Accounts were adopted.

Sir Herbert Merrett was elected Chairman of the Company at a Board Meeting following the Annual General Meeting.

METAL TRADERS LIMITED

Thirty Years' Progress

Mr. Frank L. Baer on Tin Prices

The thirtieth annual general meeting of Metal Traders, Limited, will be held on November 9 at the registered office of the company, 7 Gracechurch Street, London, E.C.

The following is the statement by Mr. Frank L. Baer, chairman and joint managing director, circulated with the report and accounts for the year to March 31, 1950:-

The accounts and balance-sheet, which have been in your hands for the prescribed period, embody important changes which were referred to by me last year. Permission to capitalise part of the company's reserves was obtained and the formalities necessary to give effect to this have now been completed.

Balance-Sheet Changes

To summarise the effect of these changes in our balance-sheet. Share premium account has disappeared, and the issued capital now stands at the pre-war figure of £415,760. Reserve fund is £100,816, which together with the amount carried forward in profit and loss account - namely, £134,582 13s 4d - makes a total of £235,398 13s 4d, employed in the business.

Metal Traders Incorporated have capitalised a further sum of $100,000 from their accumulated, undistributed, profits resulting in your company's holding in the American subsidiary being $600,000 which is valued in our balance-sheet at £125,000.

Assets and liabilities in U.S. dollars are again included in the combined balance-sheet and combined profit and loss account at $4.03, compared with the present official rate of exchange of $2.80 to the £1 sterling. The directors are of the opinion that this is the best way to treat the changes resulting from devaluation of sterling, more especially as the Chancellor of the Exchequer stated on September 18, 1949: "It was essential to fix that new rate at

a level that we could hold; we can always let the rate go up if events prove that we have gone down a bit too low.'

Subsidiary Companies

Metal Traders Inc -The management are to be congratulated on the results achieved during the year ended 1949, and I am glad to be able to report that business so far this year has been equally satisfactory.

Brookside Metal Company, Ltd., have more than maintained their previous activities, which, owing to export restrictions on all kinds of scrap, are still practically confined to this country.

L.P.C. Chemicals & Dyes, Ltd. - I regret to report that this company continues to struggle against the many currency and import restrictions existing in foreign countries, but I am not unduly depressed because the management is able and alert and will come into its own again as soon as the situation eases.

Resumption of Tin Dealings

Metal Traders, Ltd.-As you know, trading in copper, lead, zinc and tin has not been possible for many years, and therefore the most important event in the affairs of your company has been the reopening of the London Metal Exchange for dealings in tin.

From an historical point of view, I believe that it is worth while recording some details of this event. During the many conferences with the Ministry which preceeded the freeing of the tin market, the Committee of the London Metal Exchange again and again stressed the importance of making available to the world in general and the market in particular as large a quantity of tin as possible by meeting the demand both for cash at a reasonable price and three months at a proportionate contango (that is, a premium over the price for cash), so as to make the carrying of the metal financially attractive.

The Ministry, well aware of the fact that it had a monopoly, being the only owner of tin for spot delivery, did not accept this recommendation, but announced previous to the opening of the market that: 'It is the intention of the Ministry to see that any release of its stocks takes place in an orderly manner with due regard to the need for reasonable price stability for tin.'

Price Fluctuations

The result has been as best shown in the following table of prices of cash and three months between November 15 and December 7:-

Nov., 1949	Cash		Three Months	
	£ s.	£ s.	£ s.	£ s.
15th	725 0	726 0	660 0	669 0
16th	707 10	712 10	650 0	655 0
17th	690 0	695 0	617 0	620 0
18th	675 0	680 0	592 10	600 0
21st	662 10	665 0	582 10	585 0
22nd	642 10	645 0	585 0	590 0
23rd	640 0	645 0	595 0	599 0
24th	640 0	645 0	595 0	600 0
25th	637 10	640 0	599 0	600 0
26th	-	-	-	-
28th	635 0	636 0	585 0	587 10
29th	622 0	625 0	579 0	580 0
30th	617 10	620 0	578 10	580 0
Dec., 1949				
1st	616 0	617 0	578 0	578 10
2nd	607 10	610 0	575 10	576 0
3rd	-	-	-	-
5th	602 10	605 0	569 0	570 0
6th	601 0	605 0	564 0	565 0
7th	604 0	605 0	564 0	565 0

There is no evidence of reasonable stability in these price movements over such a short period and whoever, therefore, was responsible for the pronouncement must have indulged obstinately in such wishful thinking in the face of expert advice

Original Investment Returned

This is the thirtieth anniversary of the company, which gives me an opportunity of thanking my colleagues and every member of the staff for their loyal service at all times.

At the conclusion of a period of thirty years, it is perhaps not out of place to put on record that our original shareholders have received by way of bonus and return of capital more than their investment, together with a very fair yield on the money invested. This is an achievement of which the management is justly proud.

HAROLD WESLEY, LTD.

Increased Sales

The 4th annual ordinary general meeting of Harold Wesley, Ltd., was held on October 26 in London, Mr. Percey Day-Winter (Chairman and managing director) presiding.

The following is an extract from his circulated statement:-

The lifting of controls on paper during the year led to increased supplies and a return to more competitive trading. However, greater production enabled your company to reduce costs and increase turnover at reduced selling prices. The total volume of sales was higher than last year and sales in export markets were maintained in spite of the difficult conditions which prevailed. This resulted in a small increase in trading profit.

Despite the increase in the profits tax the net profit was greater than that of the previous year and your directors therefore recommend a final dividend of 15 per cent., making a full dividend of 24 per cent. for the year, as against 22½ per cent. last year. The extension to the Burton-on-Trent factory has been completed and operations commenced in April this year. During the year we also received permission to rebuild a war-damaged building at Harlesden, which was also completed.

With regard to the prospects of the year to June 30, 1951, your company's factories are in full production and subject to the availability of adequate supplies, progress will be maintained.

Your company's subsidiary, Wesley and Clark Engineering, Company Ltd., while still having a well filled order book has experienced rising costs of production, resulting in a lower profit than that of the previous year. New developments have been undertaken to improve their products and reduce production costs, which should increase profits.

The report was adopted.

NOTICES

MAN, young for 42, married, three children, desires entirely new work. Capital available. Would begin at nominal salary if good prospects later. Cambridge M.A. (History Hons.): five years master, major Public School; Chairman U.D.C.; reached four-figure income at 32. Anything, anywhere, but would like Eire. - Write Box 498.

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Illustrated London News, Sept. 7, 1850

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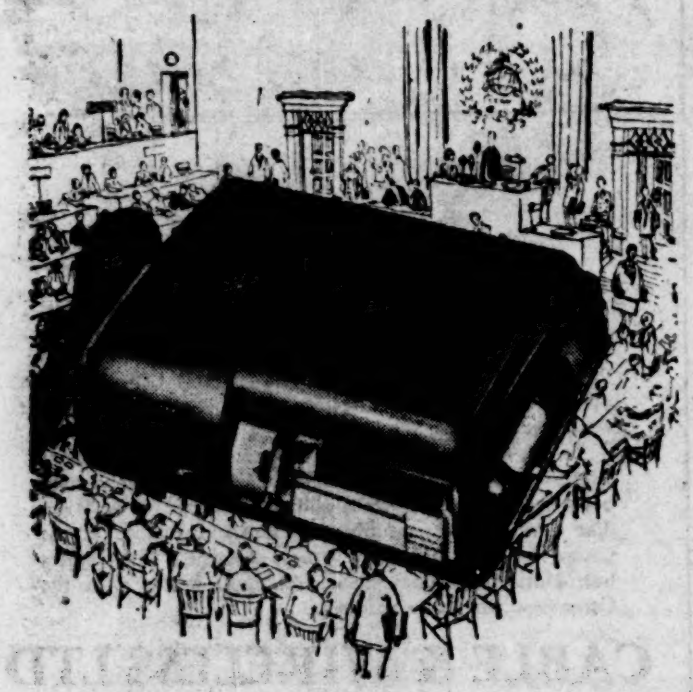

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